CARTER HAWLEY HALE STORES, INC.

Consolidated Statement of Earnings

(In thousands, except per share data)	Period Ended January 30, 1993 (17 weeks)	Period Ended October 3, 1992 (35 weeks)	Year Ended February 1, 1992 (52 weeks)	Year Ended February 2, 1991 (unaudited) (52 weeks)	Period Ended February 2, 1991 (26 weeks)	Period Ended February 3, 1990 (unaudited) (27 weeks)	Year Ended August 4, 1990 (53 weeks)
Sales	$889,843	$1,248,004	$2,127,817	$2,532,749	$1,318,565	$1,643,635	$2,857,819
Finance charge revenue	27,265	55,377	93,992	110,707	49,262	63,591	125,036
Cost of goods sold, including occupancy and buying costs	638,173	938,779	1,581,144	1,885,152	985,018	1,185,210	2,085,344
Selling, general, and administrative expenses	209,992	362,645	570,512	681,561	341,503	402,558	742,616
Provision for consolidation programs				47,000	47,000		
Gain on sale of Thalhimers				(30,000)	(30,000)		
Other expense				681		4,150	4,831
Earnings from operations before interest expense, reorganization items and income taxes	68,943	1,957	70,253	59,062	24,306	115,308	150,064
Interest expense, net	29,623	60,185	102,288	144,982	71,046	87,598	161,534
Earnings (loss) from operations before reorganization income (costs) and income taxes	39,320	(58,228)	(32,035)	(85,920)	(46,740)	27,710	(11,470)
Reorganization income (costs)		884,131	(138,057)	(40,000)	(40,000)		
Earnings (loss) from operations before income taxes	39,320	825,903	(170,092)	(125,920)	(86,740)	27,710	(11,470)
Income tax benefit (expense)	(16,600)	6,800		26,250	13,200	(11,050)	2,000
Earnings (loss) before extraordinary items and cumulative effect of changes in accounting	22,720	832,703	(170,092)	(99,670)	(73,540)	16,660	(9,470)
Extraordinary items							
Gain on debt discharge		304,388					
Costs related to early retirement of debt, net of income tax benefit of $1,300 in the periods ended February 2, 1991			(16,894)	(14,070)	(14,070)		
Earthquake loss, net of income tax benefit of $4,000, $7,000 and $11,000				(6,000)		(10,500)	(16,500)
Cumulative effect of changes in accounting							
Income taxes		18,832					
Post-retirement medical and other benefits, net of income tax benefit of $2,000			(30,000)				
Net earnings (loss)	$ 22,720	$1,155,923	$ (216,986)	$ (119,740)	$ (87,610)	$ 6,160	$ (25,970)
Earnings per common share	$ .65						

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.

Consolidated Balance Sheet

(In thousands)	January 30, 1993	October 3, 1992	February 1, 1992
Assets			
Current assets			
Cash	$ 18,617	$ 18,266	$ 37,516
Restricted cash		47,954	
Accounts receivable, net	579,794	484,628	615,309
Merchandise inventories	467,709	511,424	384,448
Other current assets	12,913	26,007	19,822
	1,079,033	1,088,279	1,057,093
Property and equipment, net	788,129	784,833	509,189
Other assets	45,740	47,589	101,380
	$ 1,912,902	$ 1,918,701	$ 1,667,662
Liabilities and Shareholders' Equity			
Current liabilities			
Notes payable and current installments	$ 59,385	$ 98,792	$ 39,868
Accounts payable	172,159	220,379	135,276
Accrued expenses	142,973	165,302	242,756
Current income taxes	3,038	3,000	10,923
	377,555	487,473	428,823
Liabilities subject to settlement under reorganization proceedings			598,321
Receivables based financing	487,577	388,306	489,254
Other long-term debt	515,658	513,165	453,174
Capital lease obligations	47,558	53,102	55,255
Other liabilities	117,343	121,655	132,471
Deferred income taxes	12,450	5,000	18,840
Shareholders' equity (deficit)			
Preferred stock, $.01 par value	11	11	
Common stock, $.01 par value	352	350	303
Other paid-in capital	351,678	349,639	643,194
Accumulated earnings (deficit)	22,720		(1,151,973)
	374,761	350,000	(508,476)
	$ 1,912,902	$ 1,918,701	$ 1,667,662

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.

Consolidated Statement of Cash Flows

(In thousands)	Period Ended January 30, 1993 (17 weeks)	Period Ended October 3, 1992 (35 weeks)	Year Ended February 1, 1992 (52 weeks)	Year Ended February 2, 1991 (unaudited) (52 weeks)	Period Ended February 2, 1991 (26 weeks)	Period Ended February 3, 1990 (unaudited) (27 weeks)	Year Ended August 4, 1990 (53 weeks)
Operating activities							
Earnings (loss) from operations	$ 22,720	$ 832,703	$ (170,092)	$ (99,670)	$ (73,540)	$ 16,660	$ (9,470)
Adjustments to reconcile earnings (loss) from operations to net operating cash flows							
Fresh-start adjustment		(906,373)					
Depreciation and amortization	10,617	27,923	43,636	42,630	21,836	27,603	50,995
Stock compensation	1,401						
Earthquake costs				(10,000)		(17,500)	(27,500)
Gain on sale of Thalhimers				(30,000)	(30,000)		
Gains on asset sales				(7,298)			(7,298)
Deferred income taxes	16,450			(19,605)	(19,091)		(514)
Change in operating assets and liabilities, net of effect of sale of Thalhimers in 1990							
Restricted cash	47,954	(47,954)	45,437	(45,437)	(45,437)		
Customer receivables, net	(88,217)	105,040	78,166	26,565	(89,693)	(146,843)	8,272
Merchandise inventories	43,715	(79,476)	(28,997)	91,834	94,300	21,826	12,081
Accounts payable and accrued liabilities	(64,157)	59,309	201,893	70,022	29,452	(67,736)	(28,452)
Receivables securitization deposits			7,966	(5,116)		(10,345)	(15,472)
Other, net	(4,989)	14,359	(11,565)	13,179	2,882	1,343	(18,529)
Net cash provided (used) by operating activities	(14,506)	5,531	166,444	27,104	(109,291)	(174,992)	(35,897)
Investing Activities							
Proceeds from sale of Thalhimers				317,000	317,000		
Proceeds from asset sales				14,216	8,469		5,747
Purchases of property and equipment	(21,190)	(17,052)	(34,850)	(80,556)	(37,989)	(28,219)	(83,220)
Net cash provided (used) by investing activities	(21,190)	(17,052)	(34,850)	250,660	287,480	(28,219)	(77,473)
Financing activities							
Postemergence debt activity							
Net change in financing under receivables based facility	79,271	388,306					
Net change in financing under working capital facility	(38,485)	90,800					
Postpetition debt activity							
Net change in financing under receivables based facilities		(489,254)	489,254				
Net change in financing under working capital facilities		(37,000)	37,000				
Prepetition debt activity							
Net change in financing under receivables based facility			(633,788)	(153,994)	(44,848)	135,360	26,214
Net change in financing under working capital facility				(20,000)	(40,000)	20,000	40,000
Other issuances of long-term debt				23,104			37,182
Retirements of long-term debt and capital lease obligations	(2,739)	(1,929)	(2,771)	(115,053)	(71,665)	(6,162)	(53,904)
Costs relating to early retirements of long-term debt, net of items not requiring cash outlay		(10,652)	(16,894)	(5,113)	(5,113)		
Issuances of common stock		50,000		8,212	2,347	44,697	50,562
Net cash provided (used) by financing activities	38,047	(9,729)	(127,209)	(262,844)	(159,279)	193,895	100,054
Net increase (decrease) in cash	2,351	(21,250)	4,385	14,920	18,910	(9,316)	(13,306)
Cash at the beginning of the period	16,266	37,516	33,131	18,211	14,221	27,527	27,527
Cash at the end of the period	$ 18,617	$ 16,266	$ 37,516	$ 33,131	$ 33,131	$ 18,211	$ 14,221

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.

Consolidated Statement of Shareholders' Equity

(In thousands)	Warrants Issued	Shares Issued: Preferred	Shares Issued: Common	Par Value: Preferred	Par Value: Common	Other Paid-in Capital	Accumulated Earnings (Deficit)
Balance, July 29, 1989			23,060	$	$ 230	$586,449	$(798,296)
Net loss							(25,970)
Issuance of common stock			3,450		34	25,418	
Issuances of common stock to profit sharing plan			3,223		32	23,242	
Net cancellations of common stock under the stock incentive plan			(184)		(2)	(3,249)	
Stock incentive plan contra						4,498	
Exercise of stock options			299		4	1,852	
Recognition of additional minimum pension liability							(8,062)
Balance, August 4, 1990			29,848		298	638,210	(832,328)
Net loss							(87,610)
Issuances of common stock to profit sharing plan			679		7	2,400	
Net cancellations of common stock under the stock incentive plan			(158)		(2)	(2,171)	
Stock incentive plan contra						4,813	
Adjustment to additional minimum pension liability							3,756
Balance, February 2, 1991			30,369		303	643,252	(916,182)
Net loss							(216,986)
Net cancellations of common stock under the stock incentive plan			(20)			(58)	
Adjustment to additional minimum pension liability							(18,805)
Balance, February 1, 1992			30,349		303	643,194	(1,151,973)
Net earnings							1,155,923
Net cancellations of common stock under the stock incentive plan			(888)		(1)		
Adjustment to additional minimum pension liability							(3,950)
POR transactions:							
Existing equity holders:							
Cancellation of existing common stock outstanding			(29,481)		(302)	(643,194)	
Issuance of new common stock together with warrants or preferred stock	1,333	1,143	2,388	11	24	23,865	
Issuance of new common stock to holders of liabilities subject to settlement			27,600		276	275,724	
Additional equity investment			5,000		50	49,950	
Balance, October 3, 1992	1,333	1,143	34,888	11	350	349,639	
Net earnings							22,720
Issuances of new common stock			214		2	2,039	
Conversions of preferred stock	41	(41)					
Balance, January 30, 1993	1,374	1,102	35,200	$ 11	$ 352	$351,678	$ 22,720

See accompanying **Summary of Significant Accounting Policies and Financial Review.**

Carter Hawley Hale

1992 Annual Report
&
Form 10-K

CARTER HAWLEY HALE STORES, INC.

The Company

Carter Hawley Hale Stores, Inc. is one of the Nation's largest department store companies with annual sales in excess of $2.1 billion. At the end of fiscal 1992, the company operated 83 department stores in the Western United States under the names of The Broadway, Emporium and Weinstocks.

Index to 1992 Annual Report & Form 10-K — **Page**

PRINTED ON RECYCLED PAPER

To Our Shareholders:

This is the first opportunity that I have had to communicate with you since the emergence of Carter Hawley Hale from bankruptcy proceedings on October 8, 1992. Needless to say, a company emerging from bankruptcy does not make for beautiful annual report reading, and Carter Hawley Hale is no exception. But what you see in this report, from a financial point of view, is very much history and only reinforces the need to focus on the future.

There is much to share with you that is positive:

On March 24, 1993, David Dworkin assumed the role of President and Chief Executive Officer and has hit the deck running. David's engagement is the result of an extensive search process where we had in-depth interviews with the best people in the industry. Despite the fact that all the people we talked to had outstanding backgrounds and experience, there was no question that David represented the perfect candidate. His experience, his candor, and his motivation dovetailed with our objectives, and his first month at the helm has only reinforced our conviction that he will make Carter Hawley Hale the most outstanding department store company in the country.

This is evidenced by the team he has begun to assemble, having promoted Edwin Holman from executive vice president operations to vice chairman and chief operating officer; and hired Gerald Mathews from Saks Fifth Avenue as executive vice president stores, and Elayne Garofolo from GFT USA Corp. as executive vice president marketing and sales promotion. These three individuals, like David, are energetic, highly experienced, and well respected in the retail industry.

The board of directors of your company has been radically changed. We sought out and were successful in bringing new experiences and views from a broad range of perspectives. Joining the board is Terry Savage, a nationally recognized financial author and columnist; James Woods, Chairman, President and CEO of a major industrial company; Sandy Shkolnik, chairman of one of the largest shopping center owners in the country; Leo Estrada, a professor of urban planning and architecture at UCLA; and Robert Solow, a professor at Massachusetts Institute of Technology and Nobel Prize winner in Economics. These individuals were invited to serve on the board of this company because each of them is viewed as a contributor. Our objective and their objective is to serve the best interests of you, our shareholders and jointly contribute to the resurrection of Carter Hawley Hale. None of us view this as either a simple or quick process, but we are all convinced that there is an extraordinary opportunity to do so.

Any retailer will tell you, location is a critical element in accessing the potential of any retail opportunity. Carter Hawley Hale is fortunate in that its locations are not only in almost every significant mall in its trade areas, but in most cases, its locations are superior within those malls. In addition, during the bankruptcy we were able to assess all of our locations, close those which did not provide us with future growth opportunities, as well as renegotiate terms and conditions very favorably. The result of these negotiations is that the "new Carter Hawley Hale" goes forward with significantly lower occupancy costs than in the past.

As I'm sure you are aware, the California economy is currently digesting some very significant changes. A combination of the recession coming late to California and major employment reductions, particularly in the defense area, has made this a difficult environment. We view this environment as a unique opportunity to address all of our operating costs and our manpower requirements with the objective of creating a lean and efficient organization. This is particularly so with reference to non-sales associate personnel. We believe that addressing these overhead issues in a weak retail environment will better position the Company to be profitable as the economy recovers and optimism returns.

This is just the beginning. We are very excited and enthusiastic about how Carter Hawley Hale can be changed and the impact that David Dworkin's leadership will make in this process. Your continued support as our shareholders is very much appreciated, and we well understand that which you expect in return.

Very truly yours,

Samuel Zell

Samuel Zell
Chairman of the Board
April 28, 1993

To Our Shareholders:

I want to talk about change, the need for change, and what we need to do as a store to make CHH an outstanding retailer. As we move further into this decade, it is clear that the customer of the 90's is going to be more demanding, focused, and time driven. This customer has changed and will continue to change the very nature of our business, and by her stringent demands she will directly mold us as retailers as we relate to her needs.

In this letter I will attempt to share some of my basic beliefs and views of the business as I begin my days at CHH.

This company has suffered from a variety of distractions over the last several years. We have today a company where I believe we can make significant strides in the areas of merchandise assortment, space reallocation, and store remodeling.

We need to focus on the "need to change." We need to reinvent ourselves based on the many strengths in the business that we have inherited. It is now the time to aggressively challenge all activities and procedures as they currently exist so we can move forward in a positive and successful manner.

As the first step of change, the senior leadership of this company has developed a mission statement for CHH. This statement expresses our vision for the business and serves as the foundation for our identity as a company.

We have also launched a thorough, objective study of our organization, analyzing everything we do to determine whether these activities are necessary and, indeed, add value. The study, which is formally called an Activity Value Analysis, or AVA, is driven by 15 people selected from various levels and areas within our store family who are empowered to make clear-cut suggestions to produce significant change and enhancements for all of us.

As a corollary, during this study we are also determining what we should be doing to better serve our customer, as well as what we can do without, in order to make our organization more effective. Many, if not all, of these suggestions will also come from within our store family.

As an organization there is an understandable anxiety and confusion as we confront the tough issues facing us today. Change can be frightening to people and many of the decisions will be painful. We may find that logic tells us to downsize the organization. If that is the case, we will face up to those tough decisions. If downsizing occurs, it will occur as a result of a need to streamline the organization in order to bring us closer to the customer and become more competitive than we have been in the past. However, we will strive to protect all sales associate positions and, with an ever-increasing vigor, to improve upon our commitment to outstanding customer service.

CHH can be an outstanding company. However, today we lack sufficient competitive zeal and a truly cohesive game plan.

My pledge to you is to quickly change this so that our company can move aggressively forward. Here are some of the significant strengths with which we have to build:

- Outstanding individuals who really care
- Superior store locations
- State-of-the-art information systems
- A new Planner/Distributor organization
- The fact that we are the local, hometown store versus our competitors, who are driven as national franchises, gives us a unique opportunity to market to California and the Southwest's ethnic and demographic diversity
- Lastly, a developing culture that really wants to win

When I look at CHH, I see people and a business with tremendous potential. Over the coming months we are going to move CHH progressively into the 90's. I promise you it will take a lot of hard work and may cause a significant amount of pain. I also promise you it will, in the end, be exciting and rewarding as we begin to achieve our significant goals.

Sincerely,

David L. Dworkin
President and Chief Executive Officer
April 28, 1993

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Fifty-two week period Ended January 30, 1993 **Commission File Number 1-8765**

CARTER HAWLEY HALE STORES, INC.

Delaware **(State or other jurisdiction of incorporation or organization)**	**94-0457907** **(I.R.S. Employer Identification No.)**
3880 North Mission Road **Los Angeles, California** **(Address of principal executive offices)**	**90031** **(Zip Code)**

Registrant's Telephone Number, including Area Code: (213) 227-2000

Securities Registered pursuant to Section 12(b) of the Act:

Title of Class	**Name of Each Exchange on Which Registered**
Common Stock and Warrants	New York Stock Exchange and Pacific Stock Exchange

Securities Registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of common stock held by non-affiliates of the registrant as of April 16, 1993: $115,626,988

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes X No ____

Number of shares of common stock outstanding as of April 16, 1993: 33,048,435

Documents Incorporated By Reference

Part III incorporates certain information by reference to the Company's Definitive Proxy Statement Relating to the Annual Meeting of Stockholders to be held on June 3, 1993.

PART I

ITEM 1. BUSINESS

GENERAL

Carter Hawley Hale Stores, Inc. (the "Company"), organized in 1896, is one of the leading operators of full-line department stores in the Western United States. The Company operates 83 department stores under the names The Broadway, The Broadway-Southwest, Emporium and Weinstocks with an aggregate of 15,176,800 square feet of gross retail store space. The Company's 41 Southern California stores generate approximately 50% of the Company's sales. Approximately 40% of the Company's sales are generated by its Emporium and Weinstocks stores located in Northern California. The remainder of the Company's sales are generated through stores located in Arizona, Nevada, Colorado, and New Mexico. The stores, which are primarily located in regional shopping centers and malls, currently feature moderately priced goods and emphasize a high standard of quality. The stores currently carry a wide range of merchandise with an emphasis on apparel and also feature cosmetics, accessories, home furnishings, electronics and, in most cases, furniture. See "Business Strategy" below for prospective changes in the merchandising content and methods of the Company.

RECENT COMPANY HISTORY

Introduction

During the last three years, the Company has implemented substantial operating and financial changes which have significantly reshaped both its business and capitalization. The Company has significantly restructured its secured debt obligations by extending the maturities and adjusting the prospective interest and principal payment terms for such debt. In addition, the Company converted $600.0 million of unsecured debt obligations to equity, obtained a $50.0 million equity infusion, negotiated significant reductions in its equipment and real estate lease payments, and put in place new three-year working capital and receivables financing facilities. The Company has also substantially completed a consolidation of its operations, which resulted in a significant reduction in fixed operating costs. The management of the Company ("Management") believes that these measures have de-leveraged the Company's balance sheet and significantly increased the efficiency of the Company's operations. Management believes that these cost-saving measures, when combined with the Company's improved capital structure, place the Company in a strong position to capitalize on opportunities which would be presented in an improved economic environment.

Recapitalization

On February 11, 1991 (the "Petition Date"), the Company filed a voluntary petition for relief (the "Filing") under chapter 11 ("Chapter 11") of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court"). During the Chapter 11 proceedings, the Company managed its affairs and operated its business as debtor in possession under the supervision of the Bankruptcy Court while it developed a reorganization plan to restructure the Company. On October 8, 1992, (the "Emergence Date"), the Company emerged from bankruptcy under a plan of reorganization (the "POR") confirmed by the Bankruptcy Court. Since the Emergence Date, the Company has operated independently, although the Bankruptcy Court has retained jurisdiction over certain claims and other matters relating to the Filing. See "Chapter 11 Proceedings; Unresolved Claims" under Item 3.

Pursuant to the POR, as of the Emergence Date, the Company's largest secured creditors, the Prudential Insurance Company of America ("Prudential") and Bank of America National Trust and Savings Association ("BofA"), as agent for itself and certain other lenders (collectively, the "Banks"), and certain other secured creditors agreed to extend the maturities and adjust the prospective interest and payment terms for loans totaling $451.8 million and capitalize $66.1 million of interest accrued thereon during the Chapter 11 proceedings.

The maturity of the $344.0 million of notes due Prudential (the "Existing Notes") was extended for approximately five years to October 2002, and previously accrued and unpaid interest and certain other charges totalling $53.4 million were capitalized into a 9% note (the "Accrued Interest Note"). Principal payments on the Accrued Interest Note and the Existing Notes will commence in October 1997, continuing in equal monthly payments of principal and interest through October 2002. The Existing Notes continue to accrue interest at the blended contract rate of 10.67%. However, the Company is only required to pay interest at a rate of 7.5% (the "Pay Rate") for the first two years following the Emergence Date, with the difference being capitalized into the Accrued Interest Note.

The maturity of the $89.7 million of notes due to the Banks was extended for approximately four years to June 1999. Interest from the Emergence Date through June 30, 1995, is payable at LIBOR plus .625% and thereafter at LIBOR plus 1.25%. At January 30, 1993, interest was accrued at a rate of 3.875% on the notes. Previously accrued and unpaid interest on the notes and other negotiated charges totalling $10.7 million were capitalized in a 9% note payable in 36 equal monthly installments commencing November 1992.

While the Chapter 11 proceedings were pending, Zell/Chilmark Fund, L.P., a Delaware limited partnership ("Zell/Chilmark"), acquired via tender offer approximately $461.0 million in unsecured claims against the Company, making Zell/Chilmark the Company's largest unsecured creditor. Pursuant to the POR, $600.0 million of unsecured claims, including $350.0 million of unsecured high yield debentures that had been issued by the Company, were converted into equity. Zell/Chilmark's claims were converted into 21,204,840 shares of the common stock of the Company issued in connection with the confirmation of the POR ("Common Stock"), which represented approximately 66% of the shares outstanding as of the Emergence Date. In addition, Zell/Chilmark and First Plaza Group Trust ("First Plaza") were each issued 2,500,000 shares of Common Stock in exchange for an equity infusion totaling $50,000,000. As a result, Zell/Chilmark held approximately 73.2% of the shares of Common Stock outstanding as of the Emergence Date.

Pursuant to the POR, holders of the Company's common stock, $.01 par value, outstanding prior to the Emergence Date ("Old Common Stock") received .081 shares of Common Stock and .084 warrants ("Warrants") (or, in the case of participants in the profit sharing plan in effect prior to the Emergence Date with respect to shares of Old Common Stock held by such plan and other holders of Old Common Stock who so elected, .081 shares of Common Stock and .084 shares of the Company's Series A Exchangeable Preferred Stock issued pursuant to the POR ("Preferred Stock")). Each Warrant entitles the holder thereof to purchase one share of Common Stock at a price of $17 per share until October 8, 1999 (subject to earlier termination under certain circumstances). The Warrants are traded on the New York Stock Exchange. Each holder of Preferred Stock is entitled to one vote per share (voting together with holders of Common Stock as a single class) and a liquidation preference of $.25 per share. Each share of Preferred Stock is exchangeable for one Warrant until October 8, 1999 (subject to earlier termination under certain circumstances).

The before and after effects of the POR on the capitalization of the Company as of the Emergence Date are summarized in the following table (dollar amounts and share numbers are in millions):

Pre-Confirmation		Post-Confirmation		
Secured debt (including $62.4 of accrued interest)	$513.2[1]	Secured Debt (including $62.4 of Accrued Interest Notes)	$513.2[1]	
Liabilities Subject to Settlement		Common Stock Issued To:	Shares	Percentage
Held By:				
Zell/Chilmark	$461.2	Zell/Chilmark	21.2	60.6%
Other	138.8	Other	6.4[2]	18.3
Total	$600.0	Total	27.6	78.9
Pre-Emergence Date Stockholders	29.5 shares	Pre-Emergence Date Stockholders	2.4	6.8
			30.0	85.7
		New Investment		
		Zell/Chilmark	2.5	7.2
		First Plaza	2.5	7.1
			5.0	14.3
		Total	35.0	100.0%

(1) Excludes current maturities of $4.7 million.
(2) Includes 2.3 million shares reserved for issuance under the POR.

In connection with the Chapter 11 proceedings, the Company negotiated reductions in rental rates and common area charges under many of its real property leases and related agreements, which the Company estimates will result in an annual cost savings of approximately $6.0 million compared to the amounts paid for the year prior to the Filing. The Company also renegotiated many of its equipment leases. As a result, rental charges under the Company's equipment leases have been reduced by approximately one-third, which the Company estimates will yield a cost savings of approximately $9.0 million compared to the amounts paid for the year prior to the Filing.

As of the Emergence Date, the existing debtor-in-possession working capital facility and the receivables based financing arrangement with Chemical Bank were replaced with three year facilities provided by General Electric Capital Corporation ("GE Capital"). Subject to collateral limitations, the new facilities provide for up to $225.0 million in working capital financing and up to $575.0 million to finance the Company's credit card receivables portfolio. As of January 30, 1993, $52.3 million in advances and $45.1 million in letters of credit were outstanding under the working capital facility, and $467.6 million of commercial paper, the maximum available based on the level of customer receivables was outstanding under the receivables facility.

For additional information related to the financial obligations of the Company and the financial impact of the Chapter 11 proceedings on the operations of the Company's business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Item 7 and "Consolidated Financial Statements—Summary of Significant Accounting Policies" on pages 37-39.

The Company does not, as a matter of policy, publish projections covering future performance. However, in connection with the consummation of the POR, the Company was required by law to include certain projections in its disclosure statement to establish the viability of the POR. Those projections were prepared in early 1992. As a result of regional economic conditions, the Company's management transition and other factors, the Company does not believe that such projections are necessarily indicative of future performance.

Consolidation of Operations

The Company has undertaken a significant series of programs over the past three years to consolidate its operating divisions and reduce its expenses. In the fall of 1990, the Company sold its Thalhimer Brothers, Inc. ("Thalhimers") subsidiary. As of January, 1991, the Company operated its stores through four separate divisions, each in diverse locations with separate management, administrative, marketing and sales promotion functions. In April of 1991, the Company consolidated its Weinstocks and Emporium divisions. In January, 1992, the Company consolidated the Broadway-Southwest division into the Broadway-Southern California division. Finally, in April of 1992, the Company consolidated its Emporium-Weinstocks division into its Broadway division, forming a single operating unit based in Southern California. Management believes that the 1992 consolidations of the Company's operations have resulted in cost savings of approximately $30.0 million per year.

In connection with the consolidation of the Company's store operations, the Company consolidated its private-label credit card and accounts payable operations into a single administrative center located in Tempe, Arizona, which the Company estimates will result in an estimated annual cost savings of approximately $6.0 million compared to the amounts paid in the year prior to the filing of the chapter 11 petition. Over the last three years, the Company has downsized its Anaheim, California data processing operation, reducing employment at the facility from approximately 530 employees to approximately 330 employees. Management estimates that this downsizing has reduced annual data processing costs by approximately $17.0 million. Management believes that the Company's data processing costs compare favorably with the marketplace generally. The consolidation of its operating divisions described above also reduced the requirements for separate distribution and warehouse facilities, permitting the closure of two warehouses in the San Francisco and Sacramento areas.

During the last two years, the Company closed six stores, including all three of its stores in the greater Salt Lake City, Utah metropolitan area. The Company also closed several clearance centers. Management believes all of the Company's stores are now profitable on an operating margin basis and that the Company's stores are well-positioned in the most desirable shopping centers in the communities served.

BUSINESS STRATEGY

On March 24, 1993, David L. Dworkin joined the Company as its President and Chief Executive Officer. Prior to joining the Company, he served as Chairman and Chief Executive Officer of British Home Stores, a division of Storehouse PLC, a London, England based retailer, from November 1989 until July 1992, and as Group Chief Executive of Storehouse PLC from July 1992 until joining the Company in March of 1993. He has in excess of 25 years experience in the retail industry, including service as President and Chief Executive Officer of Bonwit Teller, President and Chief Operating Officer of Neiman Marcus, and Executive Vice President of Marshall Fields, a division of Dayton Hudson.

David Dworkin and the Company's other senior executive officers are in the process of refining the Company's long-term business plan, and are developing a specific multi-pronged strategy designed to improve store sales productivity, further reduce operating expenses and identify opportunities to increase the profitability of the Company's business. One key element of the Company's business strategy involves the modernization of the Company's stores and reallocation of store space in favor of more profitable, faster-turning merchandise. In addition, the Company will focus its merchandise assortments toward young, casual, active apparel and accessories with mainstream, classic and updated fashion orientations. The Company will de-emphasize certain merchandise areas over time in connection with the reallocation of selling space and the re-assortment of merchandise offerings. Management believes that this re-assortment of merchandise will involve a significant reduction in the number of

vendors used by the Company and increase the Company's purchasing power with its remaining vendors. Another significant component involves the further reduction of operating costs through the streamlining of operations and development of a more targeted approach to marketing and sales promotion activities. Although many details of the Company's long-term business plan remain to be clarified, Management believes that these strategies build upon the existing strengths of the Company, which include convenient store locations in most of the top regional shopping malls in the Western United States, strong customer loyalty and solid, efficient operations.

COMPANY OPERATIONS

General

The Company operates one of the leading full-line department store operations in the Western United States in terms of sales, market share, and number of locations. The Company's stores emphasize high-quality assortments in the apparel, cosmetics, accessories and home furnishings categories that are both fashionable and value oriented. The Company also seeks to provide its customers with a high level of personal service. The Company's stores offer high-quality, moderately priced products and cater to middle and upper-middle income customers.

Although the Company's stores presently operate under the names The Broadway, The Broadway-Southwest, Emporium and Weinstocks, all management functions have been centralized, resulting in the elimination of duplicate support functions. Management, marketing and sales promotion, merchandising departments and support functions (other than accounts payable and credit card operations, which are consolidated in Tempe, Arizona, and data processing operations, which are consolidated in Anaheim, California) are all located at the Company's corporate offices in Los Angeles, California.

The Company's forty-one California Broadway stores are spread over a seven-county area in Southern California extending from Bakersfield and Santa Barbara in the North to San Diego in the South. The Company's twenty-two Emporium stores are located predominantly in the San Francisco Bay area. Of the Company's nine Weinstocks stores, eight are located in the Sacramento and Central Valley region of California, and one in Reno, Nevada. The Company recently announced that it will change the names of its eleven non-California Broadway stores, which are located in Arizona, Colorado, Nevada and New Mexico, from The Broadway-Southwest to The Broadway.

During the past five years, one California Broadway store was opened and three stores were closed. In addition, one store was opened and one store was closed in Arizona. In January 1993, the Company closed Weinstocks stores located in Salt Lake City, Murray and Ogden, Utah. No Emporium stores were opened or closed in the past five years. Management does not presently contemplate additional store closings in the near future, although it continues to evaluate each of the Company's stores as market conditions evolve. In addition, Management from time to time considers opportunities to open new stores.

Properties

The location, year of opening, approximate gross square footage, initial lease or current renewal option expiration date (or a notation that a store is owned by the Company), and, for leased stores with additional renewal option periods, the final renewal option expiration date, in each case as of April 16, 1993, are set forth below. All stores listed are located in California unless otherwise noted.

Name	Location	Year Opened	Approximate Gross Square Footage	Lease Expiration Date(1)
The Broadway *(California Stores)*				
Baldwin Hills	Los Angeles	1947	213,500	Owned-2042(2)
Panorama City	Panorama City	1955	217,000	Owned
Los Altos Center	Long Beach	1956	147,000	Owned
Del Amo	Torrance	1959	220,500	Owned
Whittwood Mall	Whittier	1961	141,000	2006/2021
Grossmont Shopping Center	La Mesa	1961	158,000	2015
West Covina Fashion Plaza	West Covina	1962	142,000	Owned
Chula Vista Center	Chula Vista	1962	201,500	Owned
Buena Ventura Plaza	Ventura	1963	157,500	1994/2060
Topanga Plaza	Canoga Park	1964	170,000	Owned
Century City	Los Angeles	1964	234,000	1995/2055
Stonewood Shopping Center	Downey	1965	160,000	Owned-2051(2)
Huntington Center	Huntington Beach	1965	160,000	1996/2064
Inland Center	San Bernardino	1966	150,000	Owned
Valley Plaza	Bakersfield	1967	150,000	1998/2065
Fashion Island	Newport Beach	1967	178,500	Owned-2003/2063(2)
Montclair Plaza	Montclair	1968	150,500	Owned
Fashion Valley	San Diego	1969	183,000	Owned-2005/2068(2)
Tyler Mall	Riverside	1970	163,000	2001/2045
Mall of Orange	Orange	1971	165,500	Owned-2007/2067(2)
Cerritos Center	Cerritos	1971	183,000	2002/2062
Northridge Fashion Center	Northridge	1971	183,000	2002/2062
Plaza	Los Angeles	1973	262,000	2010/2070
Puente Hills	City of Industry	1974	161,500	2004/2067
Santa Anita	Arcadia	1974	197,500	2009/2038
Laguna Hills	Laguna Hills	1975	165,000	2006/2050-2014/2072(3)
Fox Hills	Culver City	1975	197,000	2005/2070
Glendale Galleria	Glendale	1976	191,000	Owned-2031/2051(2)
Hawthorne Plaza	Hawthorne	1977	164,000	2007/2040
Sherman Oaks Fashion Square	Sherman Oaks	1977	187,500	Owned
La Jolla	San Diego	1977	159,500	Owned
The Oaks	Thousand Oaks	1978	162,000	Owned
Brea	Brea	1978	154,500	2008/2041
Plaza Camino Real	Carlsbad	1979	155,500	2011/2039
Pasadena Plaza	Pasadena	1980	158,500	2010/2045
Santa Monica Place	Santa Monica	1980	154,000	2012/2040
La Cienega	Los Angeles	1982	162,500	2017/2027
Horton Plaza	San Diego	1985	135,000	2020/2060
North County Fair	Escondido	1986	151,500	Owned-2022/2041(2)
South Coast Plaza	Costa Mesa	1986	206,500	2021/2051
Paseo Nuevo	Santa Barbara	1990	143,000	Owned-2064(2)
Total Stores = 41	**Total Gross Square Footage**		7,096,500	

Name	Location	Year Opened	Approximate Gross Square Footage	Lease Expiration Date(1)
The Broadway - Continued				
(Non-California Stores)				
Boulevard	Las Vegas, Nevada	1966	147,000	Owned-2062(2)
Biltmore Fashion Park	Phoenix, Arizona	1968	152,500	Owned-2000/2043(2)
Los Arcos	Scottsdale, Arizona	1969	165,500	Owned
Metrocenter	Phoenix, Arizona	1973	161,000	2005/2070
Park Mall	Tucson, Arizona	1974	161,500	2005/2050
Coronado Center	Albuquerque, New Mexico	1976	162,500	2006/2057
Meadows	Las Vegas, Nevada	1978	158,000	2008/2041
Fiesta Mall	Mesa, Arizona	1979	137,900	2010/2040
Tucson Mall	Tucson, Arizona	1982	137,500	Owned-2017/2076(2)
Westminster	Westminster, Colorado	1986	135,000	Owned
Paradise Valley	Paradise Valley, Arizona	1991	183,500	Owned
Total Stores = 11	Total Gross Square Footage		1,701,900	
Emporium				
Downtown	San Francisco	1896	428,700	Owned
Oakland	Oakland	1929	380,400	Owned
Stonestown	San Francisco	1952	287,000	Owned
Walnut Creek	Walnut Creek	1954	187,000	2005/2035
Stanford	Palo Alto	1956	231,000	Owned-2004/2053(2)
Valley Fair	Santa Clara	1957	259,000	Owned
El Cerrito	El Cerrito	1957	237,500	Owned
Hillsdale	San Mateo	1962	220,500	Owned-2012/2061(2)
Marin	San Rafael	1964	268,500	2012/2061-2012/2061(3)
Santa Rosa	Santa Rosa	1966	213,500	2002/2062
Almaden	San Jose	1968	216,500	2015/2064
Mt. View	Mt. View	1970	207,000	Owned-2018/2067(2)
Northridge	Salinas	1972	179,000	Owned-2071(2)
Tanforan	San Bruno	1972	199,500	2003/2063
Hilltop	Richmond	1976	203,500	2006/2066
Eastridge	San Jose	1978	180,000	2006/2046
Stoneridge	Pleasanton	1980	172,000	2012/2040
Sun Valley	Concord	1981	181,000	2006/2046-2014/2061(3)
Solano	Fairfield	1983	150,000	Owned
Southland Mall	Hayward	1983	178,500	2007/2027
Vallco	Cupertino	1984	181,000	Owned-2001/2061(2)
Newpark	Newpark	1987	182,000	Owned
Total Stores = 22	Total Gross Square Footage		4,943,100	
Weinstocks				
Country Club Plaza	Sacramento	1961	162,500	Owned
Arden Fair	Sacramento	1961	190,900	Owned
Stockton	Stockton	1966	130,500	Owned-1997/2057(2)
Reno	Reno, Nevada	1967	150,000	1998/2066
Florin	Sacramento	1967	150,000	Owned
Fresno	Fresno	1970	163,000	2006/2067
Sunrise	Sacramento	1972	163,000	2003/2066
Modesto	Modesto	1977	161,500	2007/2040
Downtown Plaza	Sacramento	1979	163,900	2011/2039
Total Stores = 9	Total Gross Square Footage		1,435,300	
Grand Total Stores = 83	Total Gross Square Footage		15,176,800	

(1) Initial lease or current renewal option expiration date and, for stores with additional renewal periods, the final renewal option expiration date, respectively.
(2) Owned building subject to ground lease expiring in the years indicated.
(3) Building and ground lease expiration dates, respectively.

Other Facilities

The Company operates distribution facilities in Los Angeles and Oakland, California, and Tempe, Arizona. Information services and data processing support are centralized in a facility located in Anaheim, California. Credit card and accounts payable administrative functions are provided from an administrative center located in Tempe, Arizona. All other management, marketing and sales promotion, merchandising departments, and support functions are located at the Company's corporate offices in Los Angeles, California.

Other Property Matters

As of April 16, 1993, 24 of the Company's stores were owned, 17 were owned subject to ground leases and 42 were leased. Three of these leased stores are subject to separate ground and improvement leases. As of April 16, 1993, the total annual base rent due under the store leases is approximately $28.0 million. In addition to the base monthly rent, the Company is obligated under many of the leases, or under related agreements discussed below, for a portion of common area maintenance charges and real property taxes. Further, the Company is lessee under eleven other leases relating to various offices, distribution facilities, and parking facilities. As of April 16, 1993, the total annual base rent due under these additional leases is approximately $2.0 million.

Since many of the Company's stores are located in regional shopping centers, the Company is also party to other agreements which are inextricably tied to the Company's ground or improvement leases or its ownership of the property. Anchor tenants such as the Company and shopping center developers commonly enter into reciprocal easement agreements which, among other things, establish certain operating covenants to which the anchor tenants are bound. In addition, individual anchor tenants often enter into separate agreements with the developers relating to, among other things, common area charges and operating covenants.

Planning and Distribution Organization; Sales Promotion

In 1992, the Company established a planning and distribution department (the "P&D Department") to improve the distribution of inventory to the Company's stores. The mission of the P&D Department is to direct appropriate merchandise distribution on a store-by-store basis, thereby customizing the merchandise assortment available in each store to match the community served. The P&D Department synthesizes demographic and market research along with current sales performance for each market served by the Company. This information is then passed on to the Company's buying organization, enabling the Company to better focus its merchandise offerings.

The Company's promotional programs utilize direct mailings to the Company's proprietary credit card customers, television and radio commercials and newspaper advertisements and circulars. As a result of the consolidation of the Company's operating divisions, sales promotion programs in all of the markets served by the Company are directed by a consolidated sales promotion organization.

Management Information Systems

Management believes that the Company's information processing systems compare favorably to those of other major department store retailers, and that these systems have substantially improved the effieiency of the Company's operations. All facets of the Company's operations are linked by an integrated voice and data communication system. All of the Company's stores employ point of sale scanning. The Company's information systems provide computerized inventory tracking and control down to the SKU level and automatic inventory replenishment of selected items using computer-generated purchase orders.

Proprietary Credit Card Operations

Customers may purchase merchandise at any of the Company's stores for cash, with certain common third-party credit or charge cards, or on credit in accordance with revolving credit account terms provided by the Company through its own proprietary credit card operations. Management believes that the Company's proprietary credit card programs enjoy a high degree of penetration in the marketplace. In addition to providing a source of credit customers may use to make purchases at Company stores, these programs generate a significant body of marketing data about the Company's customers. Through the use of the Company's advanced information management system, the Company is able to use this marketing information to better focus its sales promotion activities.

In recent years, the Company's proprietary credit card sales have declined while third-party credit and charge card sales have been increasing. The Company recognizes that lower interest rates charged by competing third-party credit cards may have an adverse impact on the Company's proprietary credit card charge volume and finance charge revenues. The Company continually evaluates the effectiveness of various credit-promotion programs to maximize proprietary credit card sales volume consistent with the Company's credit standards. For example, the Company has developed a preferred proprietary credit card which the Company is offering to 450,000 of the Company's best proprietary credit card customers. Under this preferred credit card program, customers are offered special incentives designed to stimulate proprietary credit card purchases.

Revolving proprietary credit card accounts are assessed a monthly finance charge on balances outstanding more than 30 days. The Company's Broadway, Emporium and Weinstocks stores each offer their respective customers short- and long-term revolving charge accounts. The specific terms of the charge account agreements vary among the three chains. Short-term revolving charge account terms require customers to make minimum monthly payments generally equal to 10 percent of the balance with a minimum payment of $15. Long-term revolving charge account terms require a minimum monthly payment generally equal to five percent of the balance at the time of the last purchase with a minimum payment of $20. The Company considers its payment terms to be comparable with those of its competitors.

For the period August 1988 through January 1993, proprietary credit card sales accounted for an average of approximately 55 percent of total sales. Changes in the Company's credit policy announced in July 1988 lowered the required minimum monthly payment and made it easier to purchase big-ticket items. As of January 30, 1993, short-term revolving proprietary credit card charge accounts comprised approximately 85 percent and long-term revolving proprietary credit card charge accounts comprised approximately 15 percent of total customer receivables. The following tables reflect selected credit operations data:

As of	Number of Billed Accounts	Number of Days Credit Sales Outstanding	Average Balance per Billed Account
January 30, 1993	3,184,000	138	$ 168
February 1, 1992	3,660,000	146	157

Customer receivables are generally written-off when the aggregate of payments made in the last six months is less than one full scheduled monthly payment, or when it is otherwise determined that the account is uncollectible. Proprietary credit card sales, net write-offs with respect thereto, and customer receivable balances for the periods indicated were as follows (Thalhimers' data is included in all periods through August 4, 1990):

Fiscal Year Ended	Credit Sales Amount	Credit Sales % of Gross Sales(1)	Net Write-Offs Amount	Net Write-Offs % of Credit Sales	Total Customer Receivables
	(dollar amounts in thousands)				
January 30, 1993	$ 1,222,205	52.3%	$36,687	3.0%	$580,542
February 1, 1992	1,252,843	53.8	38,503	3.1	598,562
February 2, 1991 (26 weeks ended)	812,424	56.3	17,719	2.2	673,478
August 4, 1990	1,781,244	57.3	38,987	2.2	709,167
July 29, 1989	1,772,136	58.5	24,140	1.4	698,621
July 30, 1988	1,509,692	53.2	18,395	1.2	436,868

(1) Proprietary credit card sales as a percent of total sales inclusive of related sales tax receipts.

Seasonal customer purchasing in November and December produces an increase in credit purchases. As a result, customer receivable balances outstanding and the number of accounts with unpaid balances normally reach their highest levels in the months of December and January.

The deteriorating general economic conditions in the Company's principal markets, including a significant increase in personal bankruptcies, have adversely affected the Company's net write-off experience during the last two years.

Competition

The retail industry, in general, and the retail department store business, in particular, are intensely competitive with respect to the purchase and sale of merchandise and the acquisition of desirable store locations. Significant competitors of the Company include Robinsons-May, Bullock's, Macy's, Nordstrom, Mervyn's, J.C. Penney, Dillards and Gottschalks, though not all of these other competitors have stores in each market in which the Company competes. Each store competes not only with other traditional department stores, but also with specialty stores, discount stores, off-price retailers and numerous other types of local retail outlets selling apparel and accessories, electronics, furniture, and home furnishings. Many factors enter into the competition for consumers' patronage, including service, price, quality, style, product mix, convenience and credit availability. Each of the Company's stores has at least one department store competitor nearby.

Change in Fiscal Year

Effective as of February 2, 1991, the Company changed its fiscal year end from the Saturday closest to July 31 to the Saturday closest to January 31. This change reflects the natural cycle of the Company's business and facilitates comparisons between the Company and other major retailers, most of which have similar fiscal periods.

Purchasing

The Company purchases merchandise from many suppliers, no one of which accounted for more than 5% of the Company's net purchases during 1992. The Company has no long-term purchase commitments or arrangements with any of its suppliers, and believes that it is not dependent on any one supplier. The Company considers its relations with its suppliers to be satisfactory.

Service Marks

The service marks "The Broadway," "The Broadway-Southwest," "The Emporium," "Emporium Capwell" and "Weinstocks" have been registered with the United States Patent and Trademark Office. The Company also has rights to several other marks. The Company also uses several trademarks and service marks in connection with certain of its private-label brand merchandise. Except for the aforementioned service marks as applied to the retail merchandising of goods and services, the Company does not believe that there are any patents, licenses, trademarks and service marks that are material to its business.

Seasonality

The department store business is seasonal in nature with a high proportion of sales and earnings generated in November and December. Working capital requirements fluctuate during the year, increasing somewhat in mid-Summer in anticipation of the Fall merchandising season and increasing substantially prior to the holiday season when the Company must carry significantly higher inventory levels.

Employees

As of January 30, 1993, the Company employed approximately 23,000 persons, of whom approximately 12,000 are employed on a full-time basis, subject to seasonal increases in the number of sales associates during the holiday season. The Company has union contracts covering approximately three and one-half percent of the employees of the Company, primarily in two Emporium stores located in San Francisco. The Company believes that it has good relations with its employees.

Capital Expenditures

Because of the financial constraints on the Company that resulted in the Filing and which continued throughout the 52-week period ended January 30, 1993, capital expenditures were constrained. Capital expenditures for the 52-week period ended January 30, 1993 were $38.2 million, compared to capital expenditures of $34.9 million for the 52-week period ended February 1, 1992, $38.0 million in the twenty-six week period ended February 2, 1991 ("Transition Period"), and $83.2 million for the 53-week period ended August 4, 1990. The Company has budgeted $55.0 million for capital expenditures in fiscal year 1993.

During the Chapter 11 proceedings, a $50,000,000 store modernization loan facility, to be funded by Zell/Chilmark, was established. The Company ultimately decided, however, that the store modernization program should be postponed until the Company's new business strategy was more clearly defined. As a result, no funds were drawn under that facility. In lieu thereof, Zell/Chilmark agreed to provide an equity infusion of $50,000,000, in exchange for which it would receive 5,000,000 shares of Common Stock. On the Emergence Date, Zell/Chilmark assigned its right to purchase 2,500,000 of such shares to First Plaza. The Company used the proceeds of this additional equity for working capital and other operating needs. Store modernization is a priority for the Company and Management is in the process of formulating a capital expenditure program for store modernization in conjunction with its new business strategy. See "Business Strategy."

Additional Information

No material part of the Company's business is dependent upon a single customer or a few customers. During the current year, the Company had no single retail customer or affiliated group of retail customers to whom sales were made in an amount which accounted for 10 percent or more of the Company's revenues for such period. As is customary in the department store industry, the Company, in general, has a liberal return policy for customers. Backlog is not a significant part, and research and development activities are not material aspects, of the Company's business. The Company has no material contracts with the United States government.

EXECUTIVE OFFICERS OF THE COMPANY

The following is a list of names and ages of all of the current executive officers of the Company indicating all positions and offices with the Company held by each such person, each such person's principal occupations or employment during the past five years, and the expiration of each such person's term of office.

Name	Age	Office	Term Expiration(1)
David L. Dworkin	49	President, Chief Executive Officer and Director	March 23, 1996
Edwin J. Holman	46	Vice Chairman and Chief Operating Officer	July 20, 1995
Robert A. Dourian	61	Executive Vice President	July 20, 1995
Larry G. Petersen	45	Executive Vice President, Chief Financial Officer	July 20, 1995
Brian L. Fleming	49	Senior Vice President, Accounting and Taxes	July 20, 1995
Marc E. Bercoon	32	General Counsel and Corporate Secretary	(2)

(1) The Company has entered into employment contracts with those individuals with term expirations indicated.

(2) Marc Bercoon serves at the pleasure of the Board of Directors.

David L. Dworkin joined the Company as its President and Chief Executive Officer on March 24, 1993. He also became a Director at that time. Prior to joining the Company, he served as Chairman and Chief Executive Officer of British Home Stores, a division of Storehouse PLC, a London, England based retailer, from November 1989 until July 1992, and as Group Chief Executive of Storehouse PLC from July 1992 until joining the Company in March of 1993. He has in excess of 25 years experience in the retail industry, including service as President and Chief Executive Officer of Bonwit Teller, President and Chief Operating Officer of Neiman Marcus, and Executive Vice President of Marshall Fields, a division of Dayton Hudson.

Edwin J. Holman was appointed Vice Chairman and Chief Operating Officer of the Company in April 1993. From January 1991 to April 1993, he served as Executive Vice President-Operations of the Company. From 1985 to January 1991, he served as Senior Vice President, Operations of the Company.

Robert A. Dourian was appointed Executive Vice President-Human Resources of the Company in August 1990. From 1986 to August 1990, he was Executive Vice President, Personnel of The Broadway-Southern California division of the Company.

Larry G. Petersen was appointed Executive Vice President and Chief Financial Officer of the Company in March 1992. From October 1987 to March 1992, he served as Senior Vice President, Planning of the Company. Prior to that time, he served as Vice President, Planning.

Brian L. Fleming was appointed Senior Vice President, Accounting and Taxes of the Company in October 1987. Prior to that time, he served as Vice President, Accounting.

Marc E. Bercoon has served as General Counsel and Secretary of the Company since February 9, 1993. He served as Legal Counsel and Assistant to the Vice Chairman of the Company from October 1992 to February 1993. From January 1990 to October 1992, he was Vice President and General Counsel of Equity Properties and Development Company, a division of Equity Property Management Corp. From July, 1987 to January 1990, he

was in private practice as a corporate and real estate attorney at the firm of Rosenberg and Liebentritt, P.C., a Chicago-based law firm. Prior to that time, he was a real estate attorney at Katten, Muchin & Zavis, a Chicago-based national law firm.

ITEM 2. PROPERTIES

The Company conducts operations in leased or owned retail stores, clearance centers, distribution centers, offices, and other facilities. Leases are generally for periods of up to 30 years, with renewal options for substantial periods. Such leases are generally at fixed rental rates, except that certain leases provide for additional rental payments based on sales in excess of predetermined levels.

At April 16, 1993, the square footage used in the Company's operations was as follows:

	Owned	Owned subject to ground lease	Leased	Total
Stores	4,819,500	2,972,000	7,385,300	15,176,800
Distribution centers and other facilities	2,240,000	--	97,500	2,337,500

Thirty-one of the Company's stores and the Company's corporate headquarters, offices and distribution center are encumbered by deeds of trust in favor of Prudential, the largest of the Company's secured creditors. An additional nine of the Company's stores are encumbered by deeds of trust in favor of BofA as agent for the Banks under the Company's loan agreement with the Banks. Two other stores and two non-store facilities are encumbered under individual mortgage agreements with other lenders.

For additional information related to the Company's properties, see "Company Operations -- Properties" under Item 1.

ITEM 3. LEGAL PROCEEDINGS

Chapter 11 Proceedings; Unresolved Claims

A discussion of the events surrounding the Company's bankruptcy filing and an explanation of the material terms of the Company's reorganization under the POR is set forth in the section entitled "Recent Company History -- Recapitalization" under Item 1. None of the Company's subsidiaries filed petitions for relief under the Bankruptcy Code. Notwithstanding the confirmation and effectiveness of the POR, the Court continues to have jurisdiction to, among other things, resolve disputed prepetition claims against the Company and to resolve other matters that may arise in connection with or relate to the POR.

The terms of the POR call for the Company to distribute .046 shares of New Common Stock for each $1.00 of allowed general unsecured claims. The POR estimated the total amount of such claims to be approximately $600.0 million, against which the Company reserved 27.6 million shares of Common Stock. As of January 30, 1993, approximately $90.0 million of disputed claims remain outstanding and 2.3 million shares of Common Stock remain reserved for issuance. Management believes that the remaining reserved shares of Common Stock will be sufficient to meet the Company's obligations to such claim holders. If each disputed claim were allowed in full, however, such disputed claim holders would be entitled to 4.1 million shares of Common Stock in the aggregate, compared to the 2.3 million shares reserved, resulting in a dilution of the Common Stock holdings of the existing stockholders by approximately 5%.

Other Legal Proceedings

The Company is involved in various other legal proceedings incidental to the normal course of business. Management does not expect that any of such other proceedings will have a material adverse effect on the Company's financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

(a) Information with respect to the principal market on which the Company's Common Stock is traded and the range of high and low closing market prices for the following periods during the past two fiscal years and the 11-week period ended April 17, 1993 are set forth in the table below:

CLOSING MARKET PRICE RANGES OF COMMON STOCK

	High	Low
Common Stock		
11 weeks ended April 17, 1993	$12 3/4	$9 1/2
13 weeks ended January 30, 1993	10 3/8	6
4 weeks ended October 31, 1992	7 1/4	5 7/8
Old Common Stock		
9 weeks ended October 3, 1992	1 1/2	1
13 weeks ended August 1, 1992	1 7/8	1 1/4
13 weeks ended May 2, 1992	2 5/8	1 1/2
13 weeks ended February 1, 1992	1 7/8	1 1/8
13 weeks ended November 2, 1991	2 3/8	1 1/2
13 weeks ended August 3, 1991	2	1
13 weeks ended May 4, 1991	2 1/2	1 1/8

Price data stated for the 11 weeks ended April 17, 1993, the 13 weeks ended January 30, 1993 and the 4 weeks ended October 31, 1992 is for the Company's Common Stock issued in connection with the Company's emergence from bankruptcy pursuant to the POR and is not comparable with price data for periods ended on or before October 3, 1992, which is for the Company's Old Common Stock. See "Recent Company History -- Recapitalization" under Item 1.

The New York Stock Exchange is the principal market on which the Company's Common Stock is traded.

(b) There were 18,396 holders of record of shares of Common Stock of the Company as of April 16, 1993.

(c) The Company did not declare dividends during the 52-week period ended January 30, 1993 or the 52-week period ended February 1, 1992. In addition, the Company's credit agreement with GE Capital (the "GE Credit Agreement") and the Company's settlement agreement with BofA, as agent for the Banks (the "BOA Settlement Agreement") prohibit the Company from paying dividends to stockholders.

ITEM 6. SELECTED FINANCIAL DATA

A five-year summary of certain financial information about the Company is presented in the following table.

FIVE YEAR FINANCIAL SUMMARY

	Period Ended					
(Dollar amounts in thousands)	January 30, 1993 (52 weeks)	February 1, 1992 (52 weeks)	February 2, 1991[1] (26 weeks)	August 4, 1990 (53 weeks)	July 29, 1989 (52 weeks)	July 30, 1988 (52 weeks)
Earnings Data						
Sales	$2,137,847	$2,127,917	$1,318,565	$2,857,819	$2,787,393	$2,617,143
Percent increase (decrease) from prior year	0.5%	(9.4%)[2]	(4.5%)[3]	2.5%	6.5%	0.7%[4]
Finance charge revenue	82,642	93,992	49,262	125,036	94,888	65,350
Cost of goods sold, including occupancy and buying costs	1,576,952	1,581,144	985,018	2,085,344	2,001,188	1,879,664
Selling, general, and administrative expenses	572,637	570,512	341,503	742,616	702,329	653,219
Provision for consolidation programs			47,000			
Gain on sale of Thalhimers			(30,000)			
Other (income) expense[5]				4,831	6,000	(1,500)
Interest expense, net	89,808	102,288	71,046	161,534	160,344	135,600
Earnings (loss) from continuing operations before reorganization costs and income taxes	(18,908)	(32,035)	(46,740)	(11,470)	12,420	15,510
Reorganization income (costs)	884,131	(138,057)	(40,000)			
Pretax earnings (loss) from continuing operations	865,223	(170,092)	(86,740)	(11,470)	12,420	15,510
Income tax benefit (expense)	(9,800)		13,200	2,000	(5,000)	(6,200)
Earnings (loss) from continuing operations	855,423	(170,092)	(73,540)	(9,470)	7,420	9,310
Extraordinary income (costs) and changes in accounting[6]	323,220	(46,894)	(14,070)	(16,500)	6,050	8,350
Net earnings (loss)	$1,178,643	$ (216,986)	$ (87,610)	$ (25,970)	$ 13,470	$ 17,660
Other Data						
Capital expenditures	$38,242	$ 34,850	$ 37,989	$ 83,220	$ 75,849	$ 80,205
Depreciation and amortization	38,540	43,636	21,836	50,995	52,956	51,829
Period End Data						
Working capital	701,478	628,270	978,082	843,414	873,307	573,058
Total assets	1,912,902	1,667,662	1,755,421	2,045,194	1,988,365	1,671,622
Liabilities subject to settlement under reorganization proceedings		598,321	598,650			
Receivables based financing	467,577	489,254	633,798	678,646	652,432	351,000
Other long-term debt and capital lease obligations	563,216	508,429	515,290	939,797	956,665	909,416
Common stock and other shareholders' equity (deficit)	374,761	(508,476)	(272,627)	(193,820)	(211,617)	(230,191)
Common shares outstanding (in thousands)	35,200[7]	30,349	30,369	29,848	23,060	22,592
Number of stores	83	88	89	115	114	113

(1) Effective as of February 2, 1991, the Company changed its fiscal year end from the Saturday closest to July 31 of each year to the Saturday closest to January 31 of each year.

(2) Sales decreased on a comparative 12 month basis excluding the 1990 sales of Thalhimers, which was sold.

(3) Sales decreased on a comparative six month basis, excluding sales for the comparable period for Thalhimers, which was sold.

(4) Sales increased on a comparative 12 month basis, excluding the 1987 period sales of John Wanamaker and two stores of The Broadway-Southwest, which were sold.

(5) Includes gains on asset sales of $7.3 million in 1990 and $30.0 million in 1988, costs of the buying office closure of $12.1 million in 1990 and $6.0 million in 1989, and costs of operational and facility realignment programs of $28.5 million in 1988.

(6) Includes gain on debt discharge of $304.4 million in 1992, a charge for a change in accounting for post-retirement medical benefits of $30.0 million in 1991, an extraordinary charge of $16.5 million in 1990 for the uninsured loss associated with the October 1989 San Francisco earthquake, and income for changes in accounting for income taxes of $18.8 million in 1992 and $15.3 million in 1989, and for capitalization of certain inventory costs of $10.1 million in 1988, and costs relating to early retirements of debt of $16.9 million in 1991, $14.1 million in the Transition Period ended February 2, 1991, $9.2 million in 1989, and $1.7 million in 1988.

(7) Includes all shares of Common Stock expected to be issued in accordance with the POR. As of January 30, 1993, 32.7 million shares had been issued and were outstanding in accordance with the POR.

The following table sets forth the capitalization of the Company and its consolidated subsidiaries at January 30, 1993 (dollar amounts in thousands):

LONG-TERM SENIOR DEBT	
Receivables Based Financing (1)	$ 467,577
Secured Debt	
Term loans due in 1999 (3.875 percent at January 30, 1993)	89,663
9.0 percent notes due 1997-2002	56,827
9.9 percent notes due 1993-2010	9,442
10.67 percent notes due 1997-2002 (2)	344,000
9.0 percent notes due 1993-1995	9,855
Other	10,020
Total secured debt	519,807
Less current portion of secured debt	(4,149)
Total long-term portion of secured debt	515,658
TOTAL LONG-TERM SENIOR DEBT	983,235
CAPITAL LEASE OBLIGATIONS (excluding current maturities of $2,921)	47,558
SHAREHOLDERS' EQUITY	
Preferred Stock -- 25 million $.01 par shares authorized; 1.1 million shares outstanding (3)	11
Common Stock--100 million $.01 par value shares authorized; 35.2 million shares outstanding (4)	352
Other Paid-in Capital	351,678
Accumulated Earnings	22,720
TOTAL SHAREHOLDERS' EQUITY	374,761
TOTAL CAPITALIZATION	$ 1,405,554

(1) The Company funds its credit card activities through the Receivables Securitization Facility which provides for Blue Hawk Funding Corporation, a special purpose corporation not affiliated with the Company, to acquire interests in the Company's credit card receivables and to pay for these interests through the issuance of up to $575.0 million in commercial paper. The securitization program is currently scheduled to mature on October 8, 1995.

(2) Until October 8, 1994, the pay rate on these notes will be 7.5%. Interest representing the difference between the lower pay rate and the blended contract rate (10.67%) for this period will be capitalized into the Accrued Interest Note due 1997-2002.

(3) Preferred Stock outstanding includes all shares issuable pursuant to the POR.

(4) Common Stock outstanding includes all shares issuable pursuant to the POR, and excludes 3.9 million shares reserved under the Carter Hawley Hale Stores, Inc. 1992 Stock Incentive Plan, 1.5 million shares reserved for purchase by and contribution to the Company's 401(k) Savings and Investment Plan, and 2.5 million shares reserved for purchase by warrantholders.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The discussion of results of operations that follows is based upon the Company's consolidated financial statements set forth on pages 33-56. The discussion of liquidity and capital resources is based upon the Company's current financial position. The accompanying financial review reflects the significant impact of the events leading up to and following the Company's emergence from bankruptcy. Certain information regarding the Chapter 11 proceedings and the POR is set forth in "Recent Company History--Recapitalization" under Item 1.

Upon the Company's emergence from bankruptcy, the Company adopted the principles of fresh-start reporting as of October 3, 1992 (the "Effective Date") to reflect the impact of the reorganization. The 52-week period ended January 30, 1993 is thus comprised of the 35 weeks ended October 3, 1992 (the "Pre-reorganization Period") and the 17 weeks ended January 30, 1993 (the "Post-reorganization Period"). As a result of the application of fresh-start reporting, the financial condition and results of operation of the Company for dates and periods subsequent to the Effective Date are not necessarily comparable to those prior to the Effective Date.

Recent Developments and Outlook

The Company's results of operations and financial condition reflect the impact of the recapitalization and the consolidation of operations.

The Company has significantly restructured its secured debt obligations. The Company has extended the maturities and adjusted the prospective interest and principal payment terms for such debt, converted $600.0 million of unsecured debt obligations to equity, obtained a $50.0 million equity infusion, negotiated significant reductions in its equipment and real estate lease payments, and entered into a three-year working capital and receivables financing facilities.

In addition, over the past three years the Company has put in place a series of programs to reduce its expense structure. These programs resulted in the consolidation of the Company's four separate divisions into one operating unit and the elimination of certain redundant costs, the consolidation of the Company's private-label credit card and accounts payable operations into a single location, the downsizing of the Anaheim, California data processing facility, and the closing of under-performing stores and other facilities. See "Recent Company History - Consolidation of Operations" under Item 1.

Management believes that the recapitalization and the specific steps it has taken to streamline the Company's business operations during the past three years have yielded a significant improvement in the operating and financial profile of the Company. The restructuring of the Company's debt obligations has significantly reduced interest expense and enhanced financial flexibility. As a result of the consolidation program, the Company has significantly reduced the fixed cost elements of cost of sales and SG&A, which reductions have been largely offset by recent declines in sales and gross margin dollars and increases in sales promotion, direct selling costs and increased markdowns taken in response to competitive and economic factors.

Although there can be no assurance as to future economic conditions, Management believes that the Company is now well-positioned to leverage this reduced cost base to enhance future profitability as economic conditions improve in its major markets. Management also believes that additional gains may be realized through further reduction of expenses and refinement of the Company's business operations. In addition, Management plans to embark on a program to modernize the Company's stores with the goal of increasing sales productivity. To this end, Management is in the process of formulating and refining specific business strategies. See "Business Strategy" under Item 1.

Results Of Operations

Overview. The Company changed its fiscal year-end in 1991 and emerged from bankruptcy in 1992, leading to another fiscal period end as a result of fresh-start accounting at the Effective Date. Consequently, the last four fiscal "years" of the Company consist of a 26-week transition period ended February 2, 1991, a 52-week period ended February 1, 1992, a 35-week period ended October 3, 1992 and a 17-week period ended January 30, 1993. There are inherent difficulties in comparing such periods. The information below is presented to facilitate period-to-period comparisons. The following table summarizes results for certain periods within the thirty six months ended January 30, 1993 (in millions of dollars):

	January	February	January	February	February
Period end date	30, 1993	1, 1992	30, 1993	1, 1992	2, 1991
Number of weeks reported	17	17	52	52	52
	(Pro Forma)				
Sales	$ 889.8	$ 859.6	$2,137.8	$2,127.9	$2,532.7
Finance Charge Revenue	27.3	30.7	82.7	94.0	110.7
Cost of Goods Sold					
Cost of merchandise and other	571.1	548.2	1,374.5	1,358.9	1,647.2
Buying and occupancy costs	84.6[1]	88.7	202.5	222.2	237.9
Total cost of goods sold	655.7	636.9	1,577.0	1,581.1	1,885.1
Selling, General and Administrative costs ("SG&A")					
Sales promotion	48.3	45.3	123.2	107.4	124.6
Selling payroll	70.3	69.1	195.5	190.5	246.9
Other	91.4	97.9	253.9	272.6	310.1
Total SG&A	210.0	212.3	572.6	570.5	681.6
Other Costs, Net					17.6
Operating earnings before interest and taxes ("EBIT")	$ 51.4	$ 41.1	$ 70.9	$ 70.3	$ 59.1

(1) Reported cost of goods sold for the period ended January 30, 1993 was $638.2 million and Reported EBIT was $68.9 million. Consistent with the Company's accounting practices for interim periods, the pro forma column reflects the allocation of certain fixed buying and occupancy costs among periods within the fiscal year to match these costs with the associated seasonal sales revenue. As a result of the application of fresh-start reporting effective October 3, 1992, the historical financial statements reflect the exclusion of $17.5 million of such costs.

The following table summarizes results for the same periods as a percentage of sales:

	January	February	January	February	February
Period end date	30, 1993	1, 1992	30, 1993	1, 1992	2, 1991
Number of weeks reported	17	17	52	52	52
	(Pro Forma)				
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Finance Charge Revenue	3.1	3.6	3.9	4.4	4.3
Cost of Goods Sold					
Cost of merchandise and other	64.2	63.8	64.3	63.9	65.0
Buying and occupancy costs	9.5	10.3	9.5	10.4	9.4
Total cost of goods sold	73.7	74.1	73.8	74.3	74.4
SG&A					
Sales promotion	5.4	5.3	5.8	5.0	4.9
Selling payroll	7.9	8.0	9.1	9.0	9.8
Other	10.3	11.4	11.9	12.8	12.2
Total SG&A	23.6	24.7	26.8	26.8	26.9
Other Costs Net					.7
EBIT	5.8%	4.8%	3.3%	3.3%	2.3%

17-Week period Ended January 30, 1993. Sales increased 3.5% to $889.8 million in the Post-reorganization Period from $859.6 million in the comparable prior year 17-week period ended February 1, 1992. On a comparative store basis, the sales increase was also 3.5%. For the 13-week period ended January 30, 1993, comparative store sales increased 5.5 percent over the same period last year, reflecting a generally strong holiday selling season and positive responses to the Company's sales and credit promotional activities.

Pro forma EBIT increased to $51.4 million, 5.8 percent of sales, in the Post-reorganization Period from $41.1 million, 4.8 percent of sales, in the comparable prior-year period. Pro forma EBIT reflects the reversal of the cost-of-goods-sold adjustment described in note 1 to the table above. The improvement reflects the increased sales base and the realization of the benefits of cost reduction programs. Reported EBIT increased to $68.9 million, 7.7 percent of sales, in the Post-reorganization period.

Pro forma cost of goods sold decreased to 73.7 percent of sales, $655.7 million, in the Post-reorganization Period from 74.1 percent, $636.9 million, in the comparable prior-year period. Cost of goods sold as a percentage of sales decreased .4% as a result of higher sales and lower buying and occupancy costs partially offset by lower merchandise gross margins due to competitive pressures. The LIFO credit of $1.9 million for the Post-reorganization Period compares to a charge of $3.2 million in the comparable prior-year period. Actual cost of goods sold increased $1.3 million.

SG&A decreased to $210.0 million, 23.6 percent of sales, in the Post-reorganization Period from $212.3 million, 24.7 percent of sales, in the comparable prior year period. This decrease is comprised of a $6.5 million decrease in Other SG&A primarily reflecting reduced fixed costs resulting from the Company's consolidation programs, partially offset by a $4.2 million increase in sales promotion and selling expenses in response to competitive pressures during the holiday period.

Finance charge revenue decreased to $27.3 million, 3.1 percent of sales, in the Post-reorganization Period from $30.7 million, 3.6 percent of sales, in the comparable prior-year period, reflecting the conservative approach to credit purchases generally, including proprietary credit card purchases, taken by customers prior to the holiday season, and the continuation of the trends discussed under "Company Operations-Proprietary Credit Card Operations" in Item 1. In addition, during the past two years, including the Post-reorganization Period, the Company has experienced an accelerated collection rate on proprietary credit card credit accounts resulting in lower overall outstanding customer receivables.

Interest expense decreased to $29.6 million in the Post-reorganization Period from $32.1 million in the comparable prior-year period. This reduction is largely due to lower average interest rates.

Net earnings of $22.7 million in the Post-reorganization Period are net of taxes at statutory rates and reflect an effective tax rate of 42.2 percent.

The seasonal nature of the retail business results in a significant portion of the earnings from operations for the year being generated in the 17-week period. Interim operating results are thus not necessarily indicative of earnings from operations that will be realized for a full fiscal year.

52-Week period Ended January 30, 1993 ("1992"). Although the adoption of fresh start reporting significantly affected comparability, certain Pre- and Post-reorganization Period income and expense elements remain comparable and are addressed in the following analysis of results of operations for the 52-week period ended January 30, 1993.

Sales for both the 52-week period ended January 30, 1993 and the prior fiscal year ended February 1, 1992 were $2.1 billion. Sales growth during the first three quarters of 1992 was significantly limited by the weakness in the California economy from which approximately 90 percent of the Company's business is generated. On a comparative store basis, sales for 1992 increased 0.9 percent as compared to the prior year.

EBIT increased to $70.9 million, 3.3 percent of sales, in 1992 from $70.3 million, 3.3 percent of sales, in 1991. While EBIT was essentially unchanged, 1992 reflects the effect of overhead reductions resulting from the Company's consolidation programs substantially offset by increased promotional and selling expenses in response to current economic and competitive factors particularly during the first three quarters of 1992.

Cost of goods decreased to $1,577.0 million, 73.8 percent of sales, in 1992 from $1,581.1 million, 74.3 percent of sales, in 1991. The improvement reflects a 0.9 percent increase in gross margin representing the impact of reductions in fixed buying and occupancy costs partially offset by a 0.4 percent decline in gross margin resulting from lower purchase mark-up. The LIFO method of inventory accounting resulted in a charge of $5.2 million in both periods.

SG&A increased to $572.6 million in 1992 from $570.5 million in 1991. However, as a percentage of sales, SG&A was 26.8 percent in both years. Although there was no net improvement in SG&A as a percent of sales, 1992 reflects a $18.7 million decrease in other SG&A reflecting the impact on fixed costs of the Company's consolidation programs offset by a $20.8 million increase in promotional expenses selling and support services in order to stimulate business in the difficult California retail environment.

Finance charge revenue decreased to $82.7 million, 3.9 percent of sales, in 1992 from $94.0 million, 4.4 percent of sales, in 1991. The reduction reflects the impact of lower levels of consumer confidence in the California economy manifested by a decrease in credit purchases and an acceleration in the paydown of outstanding credit card balances.

Interest expense decreased from $102.3 million in 1991 to $89.8 million in 1992. This decline is largely due to lower average interest rates.

Net earnings of $1,178.6 million in 1992 reflect reorganization and debt discharge related gains of $1,188.5 million and a benefit of $18.8 million from the adoption of Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes." The change in accounting reflects the elimination of existing deferred income taxes through the recognition of net operating loss carryforwards for which no benefit could be recognized under the previous accounting standard. The $6.8 million tax benefit recognized in the Pre-reorganization Period reflects the reversal of existing tax reserves on the favorable resolution of income tax audits for tax years through July 1990. The tax provision of $16.6 million for the Post-reorganization Period reflects state and federal taxes at statutory rates on pre-tax earnings for that period.

52-Week period Ended February 1, 1992 ("1991"). Sales for 1991 decreased 16.0 percent to $2.1 billion from $2.5 billion for the comparable 52-week period ended February 2, 1991 ("1990"). The decrease was attributable to the disruption of inventory flows surrounding the Petition Date, the recessionary retail environment experienced in the Company's primary markets, and the sale of Thalhimers, whose sales were included in the sales data for the first six months of the comparative prior-year period. On a comparable store basis, sales for 1991 decreased 9.9 percent compared to the 52-week period ended February 2, 1991.

EBIT increased to $70.3 million, 3.3 percent of sales, in 1991 from $59.1 million, 3.3 percent of sales, in the comparable prior-year period. EBIT for 1991 was affected by the substantial reduction in the sales base. Fiscal 1990 EBIT includes a $47.0 million charge for costs associated with certain functional consolidations and the consolidation of the administrative functions of the Company's Emporium and Weinstocks divisions. These charges were partially offset by a gain of $30.0 million related to the November 1990 sale of Thalhimers.

Cost of goods sold decreased to $1,581.1, 74.3 percent of sales, in 1991 from $1,885.1 million, 74.4 percent of sales, in 1990. Although cost of goods sold as a percentage of sales remained relatively unchanged, 1991 reflects the impact of a $19.7 million reduction in the LIFO charge and reductions in fixed buying and occupancy costs resulting from the sale of Thalhimers and the effects of cost reduction programs undertaken subsequent to October 1990.

SG&A decreased to $570.5 million, 26.8 percent of sales, in 1991 from $681.6 million, 26.9 percent of sales, in 1990. This decrease reflects the impact of the cost reduction programs initiated in 1990 and the sale of Thalhimers.

Finance charge revenue decreased from $110.7 million, 4.3 percent of sales, in 1990 to $94.0 million, 4.4 percent of sales, in 1991. This decrease principally resulted from reduced proprietary credit sales during 1991 and the yield on Thalhimers receivables during the first six months of 1990.

Interest expense decreased from $145.0 million in the 52-week period ended February 2, 1991 to $102.3 million in 1991. This reduction principally comprises interest expense and amortization of debt issue costs on $350.0 million of subordinated debt, for which no interest was recognized subsequent to the Petition Date. As a result of the claims relating

to the subordinated debt being allowed pursuant to the provisions of the Bankruptcy Code, unamortized subordinated debt issue costs totaling $9.7 million were charged to reorganization costs in the fourth quarter of 1991.

The net loss of $217.0 million in 1991 includes a charge of $138.1 million for reorganization costs comprised of a $65.0 million provision for the consolidation of the Company into a single operating entity, a $34.0 million charge for settlement of certain disputed pre-petition trade claims and valuation adjustments to reflect the effect of the Chapter 11 proceedings on the amounts to be realized for certain assets, a $29.4 million charge for professional fees and other costs directly related to the proceedings, and a $9.7 million charge to write-off unamortized debt issue costs related to the Company's subordinated debt. In addition, the net loss reflects an extraordinary net-of-tax charge of $16.9 million on the early extinguishment of an interim receivables facility entered into as a result of the Filing and a net-of-tax charge of $320.0 million resulting from a change in the method of accounting for post-retirement medical and other benefits as a result of the adoption of Statement of Financial Accounting Standards No. 106 "Employers Accounting for Post-retirement Benefits Other Than Pensions."

26-Week period Ended February 2, 1991 (the "Transition Period"). Effective as of February 2, 1991, the Company changed its fiscal year from the Saturday closest to July 31, to the Saturday closest to January 31. As a result, the results of operations for the Transition Period were separately reported.

Sales for the Transition Period decreased 19.8 percent to $1.3 billion as compared to $1.6 billion in the comparable prior-year period. The decrease was largely attributable to Thalhimers' sales included in the prior year. In addition, the prior-year period comprised 27 weeks compared with the 26 weeks included in the Transition Period. On a comparable store and period basis, Transition Period sales decreased 3.5 percent from the prior year's level, reflecting the impact of the generally weak retail environment and the disruption of inventory flows prior to the Petition Date.

EBIT decreased to $24.3 million, 1.8 percent of sales, in the Transition Period from $115.3 million, 7.0 percent of sales, in the comparable prior-year period. The Transition Period reflects the generally weak holiday sales performance, the absence of Thalhimers' results and a $47.0 million charge for consolidation programs. The decreases were partially offset by the $30.0 million gain on the sale of Thalhimers. The comparable prior-year period included a net charge of $4.2 million relating to consolidation charges partially offset by gains on asset sales.

Cost of goods sold decreased to $985.0 million, 74.7 percent of sales, in the Transition Period from $1,185.2 million, 72.1 percent of sales, for the comparable prior-year period. This increase in cost of goods sold as a percentage of sales reflects a significant increase in markdowns in response to the generally weak economic conditions and a highly competitive retail environment during the 1990 fall season. The LIFO inventory method resulted in a charge of $4.7 million in the Transition Period compared to $2.0 million in the comparable prior-year period.

SG&A decreased to $341.5 million, 25.9 percent of sales, in the Transition Period from $402.6 million, 24.5 percent of sales, in the comparable prior-year period. This decrease reflects the sale of Thalhimers, the impact of cost reduction programs initiated in 1990, and the inclusion of an additional week in the comparable prior-year period. The increase in SG&A as a percentage of sales principally reflects the impact of the lower sales base during the Transition Period.

Finance charge revenue decreased to $49.3 million, 3.7 percent of sales, in the Transition Period from $63.6 million, 3.9 percent of sales, in the comparable prior-year period. This decrease resulted from lower levels of credit sales in the Transition Period and the sale of Thalhimers in 1990.

Interest expense for the Transition Period decreased to $71.0 million from $87.6 million in the comparable prior-year period. The reduction reflects debt retirements directly related to the sale of Thalhimers, the effect of other reductions in borrowings, and generally lower interest rates.

The net loss of $87.6 million in the Transition Period includes a charge of $40.0 million for estimated costs associated with certain store and facility closings resulting from the Chapter 11 proceedings and an extraordinary charge of $14.1 million resulting from the early extinguishment of debt. The $13.2 million income tax benefit for the Transition Period was based on a 15.2 percent effective tax rate, reflecting limitations on the Company's ability to utilize net operating loss carryforwards.

Liquidity and Capital Resources

The Chapter 11 proceedings significantly affected the Company's capital structure, liquidity and capital resources. As a result of the actions set forth below, Management believes that the Company's cash from operations, together with borrowings under the Company's existing credit facilities, will be sufficient to cover its reasonably foreseeable working capital, capital expenditure and debt service requirements.

Recapitalization and Deferral of Principal Amortization. As a result of the consummation of the POR, $600.0 million of subordinated debt and other liabilities were converted into equity. In addition, $451.8 million of secured debt and $66.1 million of accrued interest was restructured to capitalize the accrued interest and defer principal amortization. In the case of the Prudential debt, cash interest payments through October 8, 1994 were reduced as well. The scheduled principal payments on secured debt for the next five years are $4.1 million in 1993, $4.4 million in 1994, $6.7 million in 1995, $5.6 million in 1996 and $10.2 million in 1997. In addition, Management estimates that annual expenses under real estate and equipment leases were reduced by approximately $15.0 million. The Company also received a $50.0 million equity infusion. Concurrently with its emergence from bankruptcy, the Company obtained three-year working capital and accounts receivable financing facilities.

Credit Facilities. As of the Emergence Date, the existing debtor-in-possession working capital facility and the receivables based financing arrangement with Chemical Bank were replaced with three year facilities provided by GE Capital. Subject to collateral limitations, the new facilities provide for up to $225.0 million in working capital financing and up to $575.0 million to finance the Company's credit card receivables portfolio. As of January 30, 1993, $52.3 million in advances and $45.1 million in letters of credit were outstanding under the working capital facility and $467.6 million of commercial paper, the maximum available based on the level of customer receivables, was outstanding under the receivables based facility.

The GE Credit Agreement contains a number of operating and maintenance covenants, as well as significant negative covenants. The GE Credit Agreement includes covenants for minimum aggregate net cash flow and earnings before interest, taxes, depreciation and amortization. In addition, the GE Credit Agreement prohibits the Company from paying dividends on its Common Stock and limits the Company's capital expenditures to $75.0 million per fiscal year ($87.0 million for the 1993 fiscal year). The GE Credit Agreement and the Company's agreements with Prudential and BofA also contain other covenants and requirements.

Since emergence, the Company has been in compliance with all of its financial covenants. Management expects to remain in full compliance with those covenants, some of which do not provide significant cushion. The GE Credit Agreement and the Company's settlement agreements with Prudential and BofA are filed with the Securities and Exchange Commission as exhibits to this Form 10-K.

Capital Expenditures. In light of the Chapter 11 proceedings, the Company's capital expenditure programs were curtailed in 1992 and 1991. Capital expenditures amounted to $38.2 million in 1992 and $34.9 million in 1991, compared to $38.0 million in the 26-week Transition Period, and $83.2 million in 1990. The Company will concentrate its capital expenditures for 1993 on store remodelling in addition to ongoing required maintenance expenditures. The Company has budgeted $55.0 million for capital expenditures during the 1993 fiscal year. Upon implementation of the Company's strategies described in "Business Strategy" under Item 1, the Company expects that annual capital expenditures will range from $75.0 to $125.0 million beginning in fiscal 1994.

Other Matters. At January 30, 1993, the Company had an estimated federal tax net operating loss ("NOL") carryforward of $360.0 million, which expires in years 2005 through 2008. Although the Company's ability to utilize the NOL carryforward is limited on an annual basis as a result of changes in control, Management does not currently anticipate that the Company will have any significant cash requirements for income tax payments for the next several years.

On April 15, 1993, the Company announced that it was considering a public equity offering of newly issued Common Stock. While specific details are undetermined, the Company is considering an offering in excess of $100.0 million, subject to market conditions, to be completed this summer. Although the offering price and specific use of the

funds, all of which would go to the Company, are largely undetermined, the Company continues to view store remodeling and debt repayment as top priorities. Since this is still in the exploratory stage, no assurance can be given that such an offering will occur.

Inflation

The effect of inflation on the Company's sales and cost of sales is, in the opinion of management, most closely approximated by the available inflation factors utilized in the computation of LIFO inventories. For the 17-week period ended January 30, 1993, the Company utilized an internally developed inflation index based on an analysis of the Company's unique merchandise assortment. For periods prior to the Effective Date, the Company utilized the Department Store Inventory Price Index published by the Bureau of Labor Statistics (the "BLS Index"). For the 17-week period ended January 30, 1993, inflation as measured by the internally developed index was not significantly different from that disclosed in the BLS index. The inflationary effect on SG&A is reflective of a variety of factors including the impact of changes in the consumer price index and the state of the California economy. The BLS Index increased 0.6 percent in 1992 compared to increases of 2.3 percent during 1991 and 3.5 percent during the comparable 52-week period ended February 2, 1991. For the Transition Period, the index increased 1.2 percent as compared to an increase of 0.7 percent in the comparable prior-year period.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary data are as set forth in the "Index to Financial Statements" on page 29.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

For information required under this item with respect to directors of the Company, see "Nominees for Election as Directors" and "Compliance with Section 16(a) of the Exchange Act" in the Company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on June 3, 1993, which sections are hereby incorporated by reference.

For information required under this item with respect to executive officers of the Company see "Executive Officers of the Company" under Item 1.

ITEM 11. EXECUTIVE COMPENSATION

For information required under this item with respect to executive compensation, see "Compensation of Executive Officers and Directors" in the Company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on June 3, 1993, which sections are hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

For information required under this item with respect to beneficial ownership of the Company's voting securities by each director and all executive officers and directors as a group, and by any person known to beneficially own more than 5% of any class of voting security of the Company, see "Principal Stockholders and Management Ownership" in the Company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on June 3, 1993, which sections are hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

For information required under this item with respect to certain relationships and related transactions, see "Principal Stockholders and Management Ownership -- Certain Relationships and Related Transactions" and "Compensation of Executive Officers and Directors -- Compensation of Directors" in the Company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on June 3, 1993, which sections are hereby incorporated by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

(1) Financial Statements

The consolidated financial statements of the Company are set forth in the "INDEX TO FINANCIAL STATEMENTS" on page 29.

(2) Financial Statement Schedules

Financial Statement Schedules, except those indicated in the "INDEX TO FINANCIAL STATEMENTS" on page 29, have been omitted because the required information is included in the financial statements or financial review, or the amounts are not significant.

(3) Exhibits

Exhibits are as set forth in the "INDEX TO EXHIBITS" on page 65.

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 29th day of April, 1993.

CARTER HAWLEY HALE STORES, INC.

By: /s/ David L. Dworkin
David L. Dworkin
President and Chief Executive Officer

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on April 29, 1993.

Signature	Title
* Samuel Zell	Chairman of the Board and Director
/s/ David L. Dworkin David L. Dworkin	President, Chief Executive Officer (Principal Executive Officer) and Director
/s/ Larry G. Petersen Larry G. Petersen	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Brian L. Fleming Brian L. Fleming	Senior Vice President, Accounting and Taxes (Principal Accounting Officer)
* Caroline L. Ahmanson	Director
* Dr. Leobardo F. Estrada	Director

Signature	Title	Date
* Philip M. Hawley	Director	
* Sidney R. Petersen	Director	
* Dennis C. Stanfill	Director	
* Terry Savage	Director	
* David M. Schulte	Director	
* Sanford Shkolnik	Director	
* Dr. Robert M. Solow	Director	
* James D. Woods	Director	

*The undersigned, by signing his name hereto, does sign and execute this Annual Report on Form 10-K pursuant to the Powers of Attorney executed by the above-named officers and directors and filed herewith.

By /s/ Marc E. Bercoon
Marc E. Bercoon
Attorney-in-Fact

CARTER HAWLEY HALE STORES, INC.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Carter Hawley Hale Stores, Inc.

In our opinion, the consolidated financial statements listed in the index appearing on page 29 present fairly, in all material respects, the financial position of Carter Hawley Hale Stores, Inc. and its subsidiaries at January 30, 1993 and October 3, 1992, and the results of their operations and their cash flows for the seventeen weeks ended January 30, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in the Reorganization and Basis of Accounting section of the Summary of Significant Accounting Policies, on September 14, 1992, the United States Bankruptcy Court confirmed the Company's plan of reorganization. The plan of reorganization, which was effective October 8, 1992, resulted in the discharge of all claims against the Company which arose prior to February 11, 1991 and substantially altered the rights and interests of the existing equity security holders. The Company utilized fresh start reporting as of October 3, 1992 to account for the effects of the reorganization.

Price Waterhouse
Los Angeles, California
March 12, 1993

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Carter Hawley Hale Stores, Inc.

In our opinion, the consolidated financial statements listed in the index appearing on page 29 present fairly, in all material respects, the financial position of Carter Hawley Hale Stores, Inc. and its subsidiaries at February 1, 1992, and the results of their operations and their cash flows for the thirty-five weeks ended October 3, 1992, the fiscal year ended February 1, 1992, the twenty-six weeks ended February 2, 1991, and the fiscal year ended August 4, 1990, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in the Reorganization and Basis of Accounting section of the Summary of Significant Accounting Policies, on February 11, 1991, the Company filed a petition with the United States Bankruptcy Court for reorganization under Chapter 11 of the Bankruptcy Code. The plan of reorganization was effective October 8, 1992, at which time the Company emerged from bankruptcy. The Company utilized fresh start reporting as of October 3, 1992 to account for the effects of the reorganization.

As discussed in the Changes in Accounting Policies section of the Summary of Significant Accounting Policies, the Company changed its method of accounting from income taxes in the thirty-five week period ended October 3, 1992, its method of accounting for other post-employment benefits in the fiscal year ended February 1, 1992, and its method of accounting for pension obligations in the fiscal year ended August 4, 1990. We concur with these changes in accounting.

Price Waterhouse
Los Angeles, California
March 12, 1993

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in: (1) Registration Statement on Form S-8 (No. 33-58478); and (2) Registration Statement on Form S-8 (No. 33-58480) of our reports dated March 12, 1993 appearing on pages 30 and 31 of this Form 10-K.

PRICE WATERHOUSE

Los Angeles, California
April 29, 1993

CARTER HAWLEY HALE STORES, INC.

Consolidated Statement of Earnings

	Period Ended		Year Ended		Period Ended		Year Ended
	January 30, 1993	October 3, 1992	February 1, 1992	February 2, 1991 (unaudited)	February 2, 1991	February 3, 1990 (unaudited)	August 4, 1990
(In thousands, except per share data)	(17 weeks)	(35 weeks)	(52 weeks)	(52 weeks)	(26 weeks)	(27 weeks)	(53 weeks)
Sales	$889,843	$1,248,004	$2,127,917	$2,532,749	$1,318,565	$1,643,635	$2,857,819
Finance charge revenue	27,265	55,377	83,992	110,707	49,282	63,591	125,036
Cost of goods sold, including occupancy and buying costs	638,173	938,779	1,581,144	1,885,152	985,018	1,185,210	2,085,344
Selling, general, and administrative expenses	209,992	362,645	570,512	681,561	341,503	402,558	742,816
Provision for consolidation programs				47,000	47,000		
Gain on sale of Thalhimers				(30,000)	(30,000)		
Other expense				681		4,150	4,831
Earnings from operations before interest expense, reorganization items and income taxes	68,943	1,957	70,253	59,062	24,306	115,308	150,064
Interest expense, net	29,623	60,185	102,288	144,982	71,046	87,598	161,534
Earnings (loss) from operations before reorganization income (costs) and income taxes	39,320	(58,228)	(32,035)	(85,920)	(46,740)	27,710	(11,470)
Reorganization income (costs)		884,131	(138,057)	(40,000)	(40,000)		
Earnings (loss) from operations before income taxes	39,320	825,903	(170,092)	(125,920)	(86,740)	27,710	(11,470)
Income tax benefit (expense)	(16,600)	6,800		26,250	13,200	(11,050)	2,000
Earnings (loss) before extraordinary items and cumulative effect of changes in accounting	22,720	832,703	(170,092)	(99,670)	(73,540)	16,660	(9,470)
Extraordinary items							
Gain on debt discharge		304,388					
Costs related to early retirement of debt, net of income tax benefit of $1,300 in the periods ended February 2, 1991			(16,894)	(14,070)	(14,070)		
Earthquake loss, net of income tax benefit of $4,000, $7,000, and $11,000				(6,000)		(10,500)	(16,500)
Cumulative effect of changes in accounting							
Income taxes		18,832					
Post-retirement medical and other benefits, net of income tax benefit of $2,000			(30,000)				
Net earnings (loss)	$ 22,720	$1,155,923	$ (216,986)	$ (119,740)	$ (87,610)	$ 6,160	$ (25,970)
Earnings per common share	$ .65						

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.

Consolidated Balance Sheet

(In thousands)	January 30, 1993	October 3, 1992	February 1, 1992
Assets			
Current assets			
Cash	$ 18,617	$ 16,268	$ 37,516
Restricted cash		47,954	
Accounts receivable, net	579,784	484,628	615,309
Merchandise inventories	467,709	511,424	384,446
Other current assets	12,913	26,007	19,822
	1,079,033	1,086,279	1,057,093
Property and equipment, net	788,129	784,833	509,189
Other assets	45,740	47,589	101,380
	$ 1,912,902	$ 1,918,701	$ 1,667,662
Liabilities and Shareholders' Equity			
Current liabilities			
Notes payable and current installments	$ 59,385	$ 98,792	$ 39,868
Accounts payable	172,159	220,379	135,278
Accrued expenses	142,973	165,302	242,758
Current income taxes	3,038	3,000	10,923
	377,555	487,473	428,823
Liabilities subject to settlement under reorganization proceedings			598,321
Receivables based financing	487,577	388,306	489,254
Other long-term debt	515,658	513,165	453,174
Capital lease obligations	47,558	53,102	55,265
Other liabilities	117,343	121,655	132,471
Deferred income taxes	12,450	5,000	18,840
Shareholders' equity (deficit)			
Preferred stock, $.01 par value	11	11	
Common stock, $.01 par value	352	350	303
Other paid-in capital	351,678	349,639	643,194
Accumulated earnings (deficit)	22,720		(1,151,973)
	374,761	350,000	(508,476)
	$ 1,912,902	$ 1,918,701	$ 1,667,662

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.

Consolidated Statement of Cash Flows

(In thousands)	Period Ended January 30, 1993 (17 weeks)	Period Ended October 3, 1992 (35 weeks)	Year Ended February 1, 1992 (52 weeks)	Year Ended February 2, 1991 (unaudited) (52 weeks)	Period Ended February 2, 1991 (26 weeks)	Period Ended February 3, 1990 (unaudited) (27 weeks)	Year Ended August 4, 1990 (53 weeks)
Operating activities							
Earnings (loss) from operations	$ 22,720	$ 832,703	$ (170,092)	$ (89,670)	$ (73,540)	$ 16,660	$ (9,470)
Adjustments to reconcile earnings (loss) from operations to net operating cash flows							
Fresh-start adjustment		(906,373)					
Depreciation and amortization	10,617	27,923	43,636	42,630	21,836	27,603	50,995
Stock compensation	1,401						
Earthquake costs				(10,000)		(17,500)	(27,500)
Gain on sale of Thalhimers				(30,000)	(30,000)		
Gains on asset sales				(7,298)			(7,298)
Deferred income taxes	16,450			(19,605)	(19,091)		(514)
Change in operating assets and liabilities, net of effect of sale of Thalhimers in 1990							
Restricted cash	47,954	(47,954)	45,437	(45,437)	(45,437)		
Customer receivables, net	(88,217)	105,040	78,166	26,565	(89,693)	(146,843)	8,272
Merchandise inventories	·43,715	(79,476)	(28,997)	91,834	84,300	21,826	12,081
Accounts payable and accrued liabilities	(64,157)	59,309	201,893	70,022	29,452	(67,736)	(28,452)
Receivables securitization deposits			7,966	(5,116)		(10,345)	(15,472)
Other, net	(4,989)	14,359	(11,565)	13,179	2,882	1,343	(18,529)
Net cash provided (used) by operating activities	(14,506)	5,531	166,444	27,104	(109,281)	(174,892)	(35,887)
Investing Activities							
Proceeds from sale of Thalhimers				317,000	317,000		
Proceeds from asset sales				14,216	8,469		5,747
Purchases of property and equipment	(21,190)	(17,052)	(34,850)	(80,556)	(37,989)	(28,219)	(83,220)
Net cash provided (used) by investing activities	(21,190)	(17,052)	(34,850)	250,660	287,480	(28,219)	(77,473)
Financing activities							
Postemergence debt activity							
Net change in financing under receivables based facility	79,271	388,306					
Net change in financing under working capital facility	(38,485)	90,800					
Postpetition debt activity							
Net change in financing under receivables based facilities		(489,254)	489,254				
Net change in financing under working capital facilities		(37,000)	37,000				
Prepetition debt activity							
Net change in financing under receivables based facility			(633,798)	(153,994)	(44,848)	135,360	26,214
Net change in financing under working capital facility				(20,000)	(40,000)	20,000	40,000
Other issuances of long-term debt				23,104			37,182
Retirements of long-term debt and capital lease obligations	(2,739)	(1,929)	(2,771)	(115,053)	(71,665)	(8,162)	(53,804)
Costs relating to early retirements of long-term debt, net of items not requiring cash outlay		(10,652)	(16,894)	(5,113)	(5,113)		
Issuances of common stock		50,000		8,212	2,347	44,697	50,562
Net cash provided (used) by financing activities	38,047	(9,729)	(127,209)	(262,844)	(159,279)	193,895	100,054
Net increase (decrease) in cash	2,351	(21,250)	4,385	14,920	18,910	(9,316)	(13,306)
Cash at the beginning of the period	16,266	37,516	33,131	18,211	14,221	27,527	27,527
Cash at the end of the period	$ 18,617	$ 16,266	$ 37,516	$ 33,131	$ 33,131	$ 18,211	$ 14,221

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.

Consolidated Statement of Shareholders' Equity

(In thousands)	Warrants Issued	Shares Issued: Preferred	Shares Issued: Common	Par Value: Preferred	Par Value: Common	Other Paid-in Capital	Accumulated Earnings (Deficit)
Balance, July 29, 1989			23,060	$	$ 230	$588,449	$(798,296)
Net loss							(25,970)
Issuance of common stock			3,450		34	25,418	
Issuances of common stock to profit sharing plan			3,223		32	23,242	
Net cancellations of common stock under the stock incentive plan			(184)		(2)	(3,249)	
Stock incentive plan contra						4,498	
Exercise of stock options			289		4	1,852	
Recognition of additional minimum pension liability							(8,062)
Balance, August 4, 1990			29,848		288	638,210	(832,328)
Net loss							(87,610)
Issuances of common stock to profit sharing plan			679		7	2,400	
Net cancellations of common stock under the stock incentive plan			(158)		(2)	(2,171)	
Stock incentive plan contra						4,813	
Adjustment to additional minimum pension liability							3,756
Balance, February 2, 1991			30,369		303	643,252	(916,182)
Net loss							(216,986)
Net cancellations of common stock under the stock incentive plan			(20)			(58)	
Adjustment to additional minimum pension liability							(18,805)
Balance, February 1, 1992			30,349		303	643,184	(1,151,973)
Net earnings							1,155,923
Net cancellations of common stock under the stock incentive plan			(888)		(1)		
Adjustment to additional minimum pension liability							(3,950)
POR transactions:							
Existing equity holders:							
Cancellation of existing common stock outstanding			(29,481)		(302)	(643,184)	
Issuance of new common stock together with warrants or preferred stock	1,333	1,143	2,386	11	24	23,965	
Issuance of new common stock to holders of liabilities subject to settlement			27,600		276	275,724	
Additional equity investment			5,000		50	49,950	
Balance, October 3, 1992	1,333	1,143	34,986	11	350	349,639	
Net earnings							22,720
Issuances of new common stock			214		2	2,039	
Conversions of preferred stock	41	(41)					
Balance, January 30, 1993	1,374	1,102	35,200	$ 11	$ 352	$351,678	$ 22,720

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reorganization

On February 11, 1991 (the "Petition Date"), the Company filed a petition for relief under Chapter 11 of the Bankruptcy Code. The Company subsequently managed its affairs and operated its business under Chapter 11 as a debtor-in-possession while a plan of reorganization was formulated.

On July 28, 1992, the Company's plan of reorganization ("POR"), which was supported by the largest secured and unsecured creditors and the official committee of the equity security holders, was filed with the Bankruptcy Court. The POR was overwhelmingly supported by all secured debt holders, by 98.1% in number and 95.9% in dollar amount of all unsecured creditors voting, and by 98.1% of all voting common stock holders. This was well in excess of the two-thirds in dollar amount and one-half in number of holders voting required for the POR to be confirmed on a consensual basis. The POR was subsequently confirmed at the Bankruptcy Court hearing held on September 14, 1992 and became effective October 8, 1992 (the "Emergence Date").

The POR provided for the conversion of substantially all unsecured claims into 27.6 million shares of Common Stock, the conversion of all common stock outstanding immediately prior to the Emergence Date ("Old Common Stock") into 2.4 million shares of newly-issued common stock of the Company ("Common Stock") and a combined total of 2.5 million of convertible warrants or shares of preferred stock, and the conversion of accrued interest under certain secured debt agreements into secured long-term obligations in accordance with the related settlement agreements.

Pursuant to the POR, Zell/Chilmark Fund, L.P. ("Zell/Chilmark"), the Company's largest unsecured creditor, received 21.2 million shares of Common Stock in settlement of approximately $461.0 million of unsecured claims on the Emergence Date. In addition, pursuant to the terms of the Postpetition Store Modernization Facility Conversion Agreement (the "Conversion Agreement"), Zell/Chilmark and an institutional investor each acquired an additional 2.5 million shares of Common Stock at a price of $10.00 per share. As of the Effective Date, 32.4 million shares of Common Stock were issued pursuant to the POR and the Conversion Agreement, of which Zell/Chilmark owned 73.2 percent. Upon the issuance of all 35.0 million shares of Common Stock contemplated by the POR, Zell/Chilmark will hold 67.8% of the outstanding shares of Common Stock of the Company.

Basis of Reporting

The financial statements as of October 3, 1992 (the "Effective Date") and for the 35 week period then ended reflect the Company's emergence from Chapter 11 and were prepared utilizing the principles of fresh-start reporting contained in American Institute of Certified Public Accountants' Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" (the "Reorganization Statement"). Operations during the period from October 3, 1992 through the Emergence Date had no significant impact on the emergence transactions and as a result have not been separately identified. The financial statements as of October 3, 1992 and for periods ending thereafter have been segregated from those for prior periods by a solid double line to reflect the significant change in reporting entity resulting from the application of fresh start reporting.

Certain amounts reported in prior years have been reclassified in the accompanying financial statements to conform to the current fiscal year basis of presentation.

Fiscal Year

Effective as of February 2, 1991, the Company changed its fiscal year end from the Saturday closest to July 31 to the Saturday closest to January 31. This change facilitates comparisons between the Company and other major retailers, most of which have similar fiscal periods and reflects the natural cycle of the Company's business.

Changes in Accounting Policies

In accordance with the Reorganization Statement, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Prior to the adoption of SFAS No. 109, the Company accounted for income taxes under Statement of Financial Accounting Standards No. 96 ("SFAS No. 96"). Both SFAS No. 109 and SFAS No. 96 require the use of the liability method of accounting for income taxes and require the adjustment of previously recorded deferred tax liabilities and assets for the effects of changes in tax laws or rates through the date of the latest financial statements presented. SFAS No. 109 changed the criteria for recognition and measurement of deferred tax assets and allowed the Company to recognize certain benefits resulting from net operating loss carryforwards for which no benefit could be recognized under SFAS 96. The cumulative effect of the change on prior years was a gain of $18.8 million, which has been reflected in net earnings for the first quarter of 1992.

During 1991, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pension." Effective February 3, 1991 a $32.0 million long term liability for the postretirement benefits, a $2.0 million reduction of the deferred tax liability, and a $30.0 million net of tax charge were recorded to reflect the effects of this change in accounting.

In 1990, the Company adopted the balance sheet provisions of Statement of Financial Accounting Standards No. 87 "Employers' Accounting for Pensions" ("SFAS No. 87") for all defined benefits plans. The statement requires recognition of an additional minimum liability if the accumulated pension plan benefit obligation exceeds the fair market value of plan assets. The application of these provisions in 1990 resulted in the recognition of an additional minimum pension liability of $47.1 million offset by an intangible asset of $33.7 million, a reduction in deferred taxes of $5.3 million, and a direct charge to equity of $8.1 million.

Sales

Sales are net of returns, exclude sales tax, and comprise merchandise, services, and sales by leased departments.

Customer Accounts Receivable

An account is generally written-off when the aggregate of payments made in the most recent six months is less than one full monthly scheduled payment, or when it is otherwise determined that the account is uncollectible.

Inventories

Merchandise inventories are valued at the lower of cost or market, as determined by the retail method on the last-in, first-out ("LIFO") basis. For periods subsequent to the Effective Date the Company utilized internally developed inflation indices in the computation of LIFO inventories. Prior

to Effective Date, the Company utilized the inflation indices published by the Bureau of Labor Statistics. The effect of this change was not significant.

Property and Equipment

Property and equipment are recorded at cost and include major renewals and improvements of a permanent nature. Other renewals and improvements and maintenance and repairs are expensed.

Depreciation and Amortization

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the property and equipment, or over the terms of the related leases, if shorter. Debt acquisition costs are amortized over the life of the related debt.

Income Taxes

Income taxes are provided currently for all items included in the Consolidated Statement of Earnings regardless of when such taxes are payable. Deferred taxes arise from the recognition of revenues and expenses in different periods for tax and financial statement purposes.

Earnings Per Share of Common Stock

Earnings per share are computed on the basis of the weighted average number of shares outstanding during the period, including dilutive stock options. The 35.1 million average shares used for the seventeen and thirteen week periods ended January 30, 1993, reflect all shares of Common Stock expected to be issued in accordance with the POR. As of January 30, 1993, 32.7 million shares of Common Stock had been issued pursuant to the POR. Per share data for periods prior to October 3, 1992 have been omitted as these amounts do not reflect the current capital structure.

Debt Discharge and Fresh Start Reporting

The adjustments to the Company's Consolidated Balance Sheet to record confirmation of the POR as of the Effective Date are as follows:

(In thousands)	Preconfirmation	Adjustments to Record Confirmation of Plan of Reorganization: Debt Discharge (A)	Adjustments to Record Confirmation of Plan of Reorganization: Fresh Start (B)	As Adjusted
Assets				
Current assets				
Cash	$ 39,077	$(22,811)		$ 16,266
Restricted cash		47,954		47,954
Accounts receivable, net	495,362	(8,842)	$ (1,892)	484,628
Merchandise inventories	463,922		47,502	511,424
Other current assets	20,245	(3,238)	9,000	26,007
	1,018,606	13,063	54,610	1,086,279
Property and equipment, net	501,460		283,373	784,833
Other assets	89,840	(720)	(41,531)	47,589
	$1,609,906	$ 12,343	$296,452	$1,918,701
Liabilities and Shareholders' Equity				
Current liabilities				
Notes payable and current installments	$ 107,299	$ (8,507)		$ 98,792
Accounts payable	215,134	5,245		220,379
Accrued expenses	224,377	(76,065)	$ 16,990	165,302
Current income taxes	3,000			3,000
	549,810	(79,327)	16,990	487,473
Liabilities subject to settlement under reorganization proceedings	600,000	(600,000)		
Receivables based financing	389,803	(1,497)		388,306
Other long-term debt	451,776	61,389		513,165
Capital lease obligations	53,102			53,102
Other liabilities	132,678	1,391	(12,414)	121,655
Deferred income taxes			5,000	5,000
Shareholders' equity (deficit)				
Preferred stock, $.01 par value			11	11
Common stock, $.01 par value	303	326	(279)	350
Other paid-in capital	643,194	325,674	(619,229)	349,639
Accumulated earnings (deficit)	(1,210,760)	304,387	906,373	
	(567,263)	630,387	286,876	350,000
	$1,609,906	$ 12,343	$296,452	$1,918,701

(A) The debt discharge reflects the conversion of $600.0 million of liabilities subject to settlement into 27.6 million shares of Common Stock, the conversion of all existing shares of Old Common Stock into 2.4 million shares of Common Stock and a combined total of 2.5 million in either warrants or shares of exchangeable preferred stock, and the conversion of accrued interest under certain secured debt agreements into secured long-term obligations in accordance with the related settlement agreements. In addition, the debt discharge entries reflect the repayment of all borrowings and the write-off of related unamortized debt issuance costs under the Post-petition Credit Agreement and the Post-petition Securitization Agreement, both of which matured on the Effective Date. The debt discharge also reflects new borrowings and the related debt issuance costs under the New Post-reorganization Working Capital Facility and the New Accounts Receivable Facility, and the $50.0 million equity investment made concurrent with the Company's emergence from Chapter 11.

(B) The following were the significant assumptions and principal effects relative to the application of fresh start reporting.

In accordance with the Reorganization Statement, an independent valuation consultant determined the unleveraged value of the Company's assets on the Effective Date (the "Reorganization Value") based on an enterprise and equity approach. The enterprise and equity values were derived using various valuation methods, including the discounted cash flow ("DCF") and the market multiple ("Multiple") approaches. For the DCF approach, the Company's projections of unleveraged after tax cash flows and leveraged after tax cash flows for the five years 1993 through 1997, together with the capitalized value of earnings subsequent to 1997 were discounted to present values at interest rates approximating the Company's projected weighted average cost of capital and cost of equity, respectively. For the Multiple approach, an analysis of current public market valuations of selected companies whose businesses were deemed comparable to the Company's was completed.

These valuations produced a range of multiples which were applied to the Company's current (normalized) cash flows and net income in order to arrive at enterprise and equity values. A review of the valuations developed through the DCF and Multiple approaches resulted in the final determination of the $350.0 million emergence equity value of the Company which provided a basis for the Reorganization Value.

Based on appraisals prepared by independent valuation consultants and analyses prepared by management, the Reorganization Value was allocated to the fair value of the Company's assets. In addition, liabilities at the Effective Date were adjusted to reflect present values.

(C) The cash flows associated with the debt discharge are reflected in the Consolidated Balance Sheet as of the Effective Date and the Consolidated Statement of Cash Flows for the thirty-five weeks then ended. The major elements of such cash flows are as follows (in thousands):

Sources of Cash	
Release of restricted cash deposits	$ 18,869
Release of deposits	1,228
Proceeds resulting from the NMG Agreement	7,660
Borrowings under the New Working Capital Facility	90,800
Borrowings under the New Accounts Receivable Facility	388,306
Equity investment	50,000
Total sources	556,863
Uses of Cash	
Cash collateralization of existing Letters of Credit	47,954
Repayment of borrowings and accrued interest under the Post-petition Credit Agreement	104,586
Repayment of financings and accrued interest under the Post-petition Securitization Agreement	391,984
Call premium on securitization notes	10,652
Payments of allowed claims	4,789
Debt issuance costs for the Post-reorganization credit facilities	19,709
Total uses	579,674
Net decrease in cash due to debt discharge adjustments	(22,811)
Preconfirmation cash balance	39,077
Cash as adjusted	$ 16,266

Cash flows pursuant to the POR subsequent to the Effective Date are reflected in the Consolidated Statement of Cash Flows for the seventeen weeks ended January 30, 1993. These include payments of accrued interest pursuant to the December 31, 1991 Prudential Settlement Agreement ("Prudential Settlement Agreement") with The Prudential Insurance Company of America ("Prudential") and the July 28, 1992 settlement agreement ("BofA Settlement Agreement") with Bank of America National Trust and Savings Association ("BofA"), release of certain deposits, and cure payments for certain real estate claims.

Reorganization Income and Costs

In accordance with the Reorganization Statement, income and costs directly related to the reorganization have been segregated and are separately disclosed. The major components are as follows:

(In millions)	Period Ended October 3, 1992 (35 Weeks)	Year Ended February 1, 1992 (52 Weeks)	Transition Period Ended February 2, 1991 (26 Weeks)
Adjustments to fair value	$ 906.4	$ (9.0)	
Provision for consolidation		(65.0)	
Provision for store closing costs			$ (40.0)
Provision for settlement of disputed claims	(8.5)	(25.0)	
Professional fees and other expenditures directly related to the Filing	(13.8)	(29.4)	
Write-off of unamortized debt issue costs on subordinated debentures		(9.7)	
	$ 884.1	$ (138.1)	$ (40.0)

The adjustments to fair value reflect the effects of the revaluation of assets and liabilities in accordance with the Reorganization Statement. These adjustments which include the $283.4 million write-up of fixed assets and the net increase of $3.5 million in other balance sheet items result in the elimination of the remaining $619.5 million accumulated deficit in shareholders' equity. The $9.0 million adjustment in fiscal 1991 reflects the reduction in the carrying values of certain assets based on the anticipated effect of the POR on the amounts to be realized for such assets.

The provision for consolidation is comprised of the estimated costs for the comprehensive centralization of major management functions. The new management approach, implemented during 1992, consolidates all corporate, merchandising, marketing, operations, administration, and support functions into a single organization.

The provision for store closing covers both the estimated costs to be incurred in closing certain stores and other facilities together with penalties to be incurred upon the rejection of related building and personal property leases.

The provision for settlement of disputed claims represents management's estimate of the net amount required to cover all outstanding disputed claims included in liabilities subject to settlement based on current facts and circumstances.

Unamortized debt issue costs on subordinated debentures, which totalled $9.7 million as of the Petition Date, were charged to reorganization costs in the fourth quarter of 1991 as a result of the claims related to the debt being allowed by the Bankruptcy Court.

Gain on Debt Discharge

The gain on debt discharge reflects the conversion of $600.0 million of liabilities subject to settlement into $276.0 million of shareholders' equity resulting in a $324.0 million gain. The gain is presented net of write-offs and costs associated with the repayment of borrowings on the Effective Date.

Gain on the Sale of Thalhimers

On December 14, 1990, the Company completed the sale of its Thalhimers subsidiary for $317.0 million. The transaction, which was effective as of November, 1990, resulted in a pretax gain of $30.0 million which was recognized in the thirteen week period ended November 3, 1990. Thalhimers' results of operations for the thirteen week period ended November 3, 1990, which consisted of a loss before interest of $.1 million and a pretax operating loss of $7.9 million, were excluded from the results of operations and were incorporated in the gain on the sale. Thalhimers' sales for fiscal 1990 amounted to $445.9 million, comprising $262.3 million in the 27 week period ended February 3, 1990 and $183.6 million in the 26 week period ended August 4, 1990.

Regional Consolidation Programs

The sale of Thalhimers allowed the Company to completely focus on its markets in the Western United States. In this regard, the Company initiated expense reduction programs directed at capitalizing on the available efficiencies associated with the operation of a more centralized business. These programs included divisional consolidations, consolidation of divisional administrative activities, elimination of redundant functions, and reduction of overhead at both the operating divisions and the corporate office. During the 26-week period ending February 2, 1991 (the "Transition Period"), the Company established provisions totalling $47.0 million for these programs. Approximately $12.0

million of the total related to estimated costs for the consolidation of the administrative functions of the Company's Emporium and Weinstocks divisions, which was completed in 1991.

Other Expense

Other expense relates to costs incurred in consolidating certain corporate buying programs, transferring the administration of group buying programs to the Associated Merchandising Corporation, an independent retail organization, and the closure of the Company's New York buying office. Gains on asset sales of $7.3 million reduced net other expense to $4.8 million in 1990.

Interest Expense, net

The components of interest expense are as follows:

(In millions)	Period Ended January 30, 1993 (17 weeks)	Period Ended October 3, 1992 (35 Weeks)	Year Ended February 1, 1992 (52 Weeks)	Transition Period Ended February 2, 1991 (26 Weeks)	Year Ended August 4, 1990 (53 Weeks)
Interest on total debt	$ 24.9	$ 54.1	$ 90.1	$ 78.5	$ 166.1
Imputed interest on capitalized lease obligations	1.6	3.4	5.4	3.0	8.9
Interest allocated to Thalhimers				(11.4)	
Capitalized interest	(.5)	(.4)	(1.6)	(1.8)	(4.5)
Amortization of debt issuance costs	2.6	4.3	8.3	2.0	7.1
Commitment fees	.8				
Other	.2	(1.2)	.1	.7	(1.4)
Interest income					(12.7)
Interest expense, net	$ 29.6	$ 60.2	$102.3	$ 71.0	$ 161.5

Interest payments, net of amounts capitalized, were $34.0 million in the seventeen week period ended January 30, 1993, $32.8 million in the thirty-five week period ended October 3, 1992, $46.6 million in 1991, $77.9 million for the Transition Period, and $169.2 million in 1990. As a result of the Filing, interest payments during bankruptcy were limited to amounts due under the Post-petition Credit Agreement, the interim Receivables Facility (during its existence), the Post-petition Receivables Securitization Facility, and the interest element of capital lease payments made. During bankruptcy, interest continued to accrue on the Company's secured mortgage debt but no payments were made. Both the accrual of interest and amortization of debt issuance costs on the Company's subordinated debt ceased at the Filing. Unaccrued interest on the subordinated debt amounted to $29.2 million in the thirty-five weeks ended October 3, 1992 and $42.5 million in the prior year. In accordance with the POR, the liability for such unaccrued interest was cancelled with no payment due. The remaining $9.7 million of unamortized debt issuance costs relating to the subordinated debt was written-off as a reorganization cost in the fourth quarter of 1991.

Commitment fees totalling $1.8 million in the thirty-five week period ended October 3, 1992, $3.2 million in 1991, $1.7 million in the Transition Period, and $3.5 million in 1990 were included in

selling, general and administrative expenses. Such fees are reported as a component of interest expense for periods subsequent to the Effective Date.

Income Tax Expense (Benefit)

Income taxes for the current year were required to be separately computed for the pre- and post-reorganization periods. The $6.8 million tax benefit recognized for the thirty-five week period ended October 3, 1992 reflects the reversal of certain tax reserves on favorable resolution of income tax audits for tax years through July 1990.

The limited ability to utilize net operating loss carryforwards in certain periods is reflected in the following analysis of the Company's expense (benefit) for income taxes and the related analysis of the composition of deferred income taxes and the effective income tax rate.

	Period Ended		Year Ended	Transition Period Ended	Year Ended
(In millions)	January 30, 1993 (17 Weeks)	October 3, 1992 (35 Weeks)	February 1, 1992 (52 Weeks)	February 2, 1991 (26 Weeks)	August 4, 1990 (53 Weeks)
Current					
Federal	$	$ (6.8)	$	$ 1.9	$ (2.9)
State	.1			4.0	1.4
	.1	(6.8)		5.9	(1.5)
Deferred					
Federal	11.6			(17.1)	(.3)
State	4.9			(2.0)	(.2)
	16.5			(19.1)	(.5)
Income tax expense (benefit)	$ 16.6	$ (6.8)	$ -	$ (13.2)	$ (2.0)

Deferred income tax expense (benefit) results from temporary differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these temporary differences and their tax effects are as follows:

(In millions)	Period Ended January 30, 1993 (17 Weeks)	Period Ended October 3, 1992 (35 Weeks)	Year Ended February 1, 1992 (52 Weeks)	Transition Period Ended February 2, 1991 (26 Weeks)	Year Ended August 4, 1990 (53 Weeks)
State income taxes	$ (1.7)	$ 1.6	$	$ .3	$ .9
Property and equipment	8.1	.2		(2.8)	6.9
Deferred revenue					(2.8)
Capitalized interest and other real estate costs	.2	.8		.6	2.1
Prepaid and other deferred charges				(1.4)	9.1
Inventories	10.4			(.3)	(2.4)
Provision for consolidation programs	2.5	19.1		(4.1)	6.6
Provision for store closing	4.4	6.9		(9.0)	
Deferred gross profit on installment sales				(.8)	(20.6)
Accounts receivable	(1.2)	1.2			1.1
Lien date property taxes	(2.1)				
Unamortized debt issue costs		3.6			
Loss carryforwards	(10.9)	(39.1)			
Tax credit carryovers					.9
Other, net	6.8	5.7	—	(1.6)	(2.3)
Deferred income tax expense (benefit)	$ 16.5	$ —	$ —	$ (19.1)	$ (.5)

Factors causing the Company's effective income tax rate to differ from the federal statutory rate are as follows:

(Percent of pre-tax earnings)	Period Ended January 30, 1993 (17 Weeks)	Period Ended October 3, 1992 (35 Weeks)	Year Ended February 1, 1992 (52 Weeks)	Transition Period Ended February 2, 1991 (26 Weeks)	Year Ended August 4, 1990 (53 Weeks)
Federal income tax at statutory rate	34.0%	(34.0)%	(34.0)%	(34.0)%	(34.0)%
State income taxes	8.4			1.4	15.2
Losses for which no benefit is recognized		34.0	34.0	19.1	
Targeted Jobs Tax Credit				(.4)	
Adjustments to taxes previously recorded		(.8)		(.9)	(2.1)
Other, net	(.2)			(.4)	3.5
Effective income tax rate	42.2%	(.8)%	—%	(15.2)%	(17.4)%

The principal items comprising the deferred tax liability (asset) are as follows:

(In millions)	January 30, 1993	October 3, 1992
Property and equipment	$ 178.5	$ 170.4
Inventories	32.5	22.1
Other	7.8	7.9
Gross Deferred Tax Liability	218.8	200.4
Employees benefit plans	(48.3)	(48.9)
Short-period loss	(10.0)	(10.0)
Accounts receivable	(7.5)	(6.3)
Provision for store closing	(6.7)	(11.1)
Provision for consolidation	(1.4)	(3.9)
Loss carryforwards	(112.4)	(101.5)
Credit carryforwards	(3.9)	(3.9)
Other	(16.1)	(18.8)
Gross Deferred Tax Asset	(206.3)	(204.4)
Net deferred tax liability (asset)	$ 12.5	$ (4.0)

The Company has estimated tax basis net operating loss carryforwards of $360.0 million for federal purposes which expire in the years 2005 through 2008. In addition, the Company has California net operating loss carryforwards of $170.0 million which expire in the years 2004 and 2008. As of the Emergence Date, the Company experienced a change of ownership which restricts the Company's ability to utilize its net operating loss carryforwards in future years. In addition, the Company has a federal business credit carryforward of $2.9 million which expires in the year 2004 and an alternative minimum tax credit carryforward of $1.0 million which carries over indefinitely.

Income tax payments were $.2 million and $.1 million in the seventeen and thirty-five week periods comprising the fiscal year ended January 30, 1993, $.1 million in 1991, $.2 million in the Transition Period, and $2.4 million in 1990.

Extraordinary Earthquake Loss

A significant number of the Company's 22 San Francisco Bay area stores suffered extensive damage as a result of the major earthquake which affected that area on October 17, 1989. Eleven stores were closed for periods of one to eleven days and the downtown Oakland store remained closed until August 1990. The Company maintains earthquake and business interruption insurance with standard deductible provisions that require the Company to incur an initial level of costs at each location subject to damage or interruption of business. In the year ended August 4, 1990, the Company recorded a $16.5 million extraordinary charge, net of income tax benefits of $11.0 million, to cover the earthquake related loss in excess of insurance proceeds.

Accounts Receivable and Credit Operations

Accounts receivable consist of the following:

(In millions)	January 30, 1993	October 3, 1992	February 1, 1992
Customer receivables	$ 580.6	$ 489.6	$ 598.6
Other receivables	16.5	9.6	33.3
	597.1	499.2	631.9
Less allowance for doubtful accounts	(17.3)	(14.6)	(16.6)
Accounts receivable, net	$ 579.8	$ 484.6	$ 615.3

Other receivables at February 1, 1992 included $18.3 million due from The Neiman Marcus Group. In accordance with the POR, that receivable was liquidated for $7.7 million in cash, payment of certain retirement benefits and release of all bankruptcy claims.

Selected credit operations information is as follows:

	Period Ended		Year Ended	Transition Period Ended	Year Ended
	January 30, 1993 (17 weeks)	October 3, 1992 (35 weeks)	February 1, 1992 (52 weeks)	February 2, 1991 (26 weeks)	August 4, 1990 (53 weeks)
Credit sales as a percent of gross sales	52.7%	52.0%	53.8%	56.3%	57.3%
Uncollectible account losses, net of recoveries, as a percent of credit sales	2.2%	3.6%	3.1%	2.2%	2.2%

The continued weakness in the California economy, from which approximately 90 percent of the Company's business is generated, has resulted in lower levels of consumer confidence and a decrease in credit sales during the past two years. During this same period, a significant increase in personal bankruptcies, coupled with the lack of sales growth has adversely affected the Company's net write-off experience. Write-offs for the fifty-two weeks ended January 30, 1993 were essentially unchanged from that experienced in the prior year at 3.0 percent of proprietary credit card sales.

Inventories

The LIFO method of accounting resulted in a credit to cost of goods sold of $1.9 million for the seventeen weeks ended January 30, 1993 and in charges of $7.1 million for the thirty-five weeks ended October 3, 1992, $5.2 million in 1991, $4.7 million for the twenty-six week period ended February 2, 1991, and $22.2 million in 1990. If all inventories had been valued on the first-in, first-out ("FIFO") basis, they would have been lower by $1.9 million at January 30, 1993 and higher by $79.8 million at February 1,1992, $74.5 million at February 2, 1991, and $72.0 million at August 4, 1990.

In accordance with the principles of fresh start reporting, merchandise inventories at October 3, 1992 were restated at fair market value resulting in the elimination of the LIFO reserve at that date.

Leases

Certain Company operations are conducted in leased properties, which include retail stores, distribution centers, and office facilities. Leases are generally for periods of up to thirty years, with renewal options for substantial periods. Leases are generally at fixed rental rates, except that certain leases provide for additional rental charges based on sales in excess of predetermined levels.

Rent expense for each period is as follows:

(In millions)	Period Ended January 30, 1993 (17 weeks)	Period Ended October 3, 1992 (35 weeks)	Year Ended February 1, 1992 (52 weeks)	Transition Period Ended February 2, 1991 (26 weeks)	Year Ended August 4, 1990 (53 weeks)
Minimum rent	$ 8.2	$18.0	$31.0	$ 16.6	$ 35.5
Rent based on sales	.4	.4	.9	.6	3.7
Total rent expense	$ 8.6	$18.4	$31.9	$ 17.2	$ 39.2

Future minimum lease payments are as follows:

(In millions)	Capital Leases	Operating Leases
1993	$ 7.4	$ 22.8
1994	7.1	22.2
1995	7.1	21.8
1996	6.9	22.1
1997	6.9	23.8
Thereafter	56.1	311.0
Total future minimum lease obligations	$ 91.5	$ 423.7
Present value, including $2.9 million current portion of capital lease obligations	$ 50.5	$ 159.5

The present value of operating leases is determined by discounting future minimum rent commitments, less assumed executory and administrative costs, at a 10.0 percent rate that approximates the Company's cost of capital at the Effective Date.

Property and Equipment

Property and equipment was adjusted to fair market value at October 3, 1992. The revaluation resulted in a net increase in property and equipment of $283.4 million, including the elimination of all accumulated depreciation.

Property and equipment is as follows:

(In millions)	January 30, 1993	October 3, 1992	February 1, 1992
Land	$121.7	$121.7	$ 37.4
Buildings and improvements	348.9	344.4	378.1
Leasehold improvements	59.4	58.9	80.0
Fixtures and equipment	103.8	88.1	411.8
Construction in progress	9.6	16.4	28.2
Leased property under capital leases, primarily buildings	38.5	41.2	87.6
Revalued leases	114.1	114.1	
	796.0	784.8	1,023.1
Less accumulated depreciation and amortization	7.9	-	513.9
Property and equipment, net	$788.1	$784.8	$509.2

Capital expenditures were as follows:

(In millions)	Period Ended January 30, 1993 (17 weeks)	Period Ended October 3, 1992 (35 weeks)	Year Ended February 1, 1992 (52 weeks)	Transition Period Ended February 2, 1991 (26 weeks)	Year Ended August 4, 1990 (53 weeks)
New stores	$	$	$ 2.2	$ 25.7	$41.7
Store and support facility modernization	21.2	17.0	32.7	12.3	36.9
Purchases of leased stores					4.6
Total capital expenditures	$21.2	$17.0	$34.9	$ 38.0	$83.2

Expenditures for new stores include acquisition costs of land, buildings and improvements, and related fixtures and equipment. Store and support facility modernization expenditures include renovating, expanding, and re-equipping existing stores and expenditures for improvements and fixtures for office buildings, distribution centers, and other facilities. In addition, expenditures for the purchase of certain properties previously operated under capital or operating leases have been disclosed separately. These properties were subsequently used as collateral for certain long-term debt financing.

Liabilities Subject to Settlement Under Reorganization Proceedings

Liabilities subject to settlement under the reorganization proceedings were $600.0 million at the Effective Date on a preconfirmation basis, and $598.3 million at February 1, 1992. These amounts, which represent the Company's estimate of the ultimate resolution of all unsecured claims filed during the Chapter 11 reorganization process, included $371.4 million of principal and interest on subordinated debt with the balance comprised of amounts due to trade creditors and lessors. As of the Effective Date, the financial statements reflect the conversion of $600.0 million of liabilities subject to settlement into 27.6 million shares of Common Stock. As of January 30, 1993, 2.3 million shares of the 27.6 million shares of Common Stock remain to be issued pending resolution of these outstanding claims. The Company is actively negotiating with creditors to resolve the balance of disputed claims totalling approximately $90.0 million. A significant portion of this amount is comprised

of disputed claims that, in the opinion of management, will not result in the issuance of additional shares of common stock in accordance with the POR.

Working Capital Facility

On October 8, 1992, a three year facility provided by General Electric Capital Corporation ("GE Capital") replaced the existing debtor-in-possession working capital facility. The new facility provides for up to $225.0 million in working capital borrowings secured on a first priority basis by substantially all of the Company's tangible and intangible personal property. Interest is computed at a rate equivalent to one and one-half percent above the GE Capital index rate. In addition, the facility includes a commitment fee of one-half percent on the unused portion of the credit line. The facility also requires the payment of administrative fees and line-of-credit fees equivalent to 2.375 percent of the face amount of outstanding letter-of-credit obligations. As of January 30, 1993, $52.3 million in advances and $45.1 million in letters of credit were outstanding under the working capital facility.

Long-Term Debt

Long-term debt comprises:

(In millions)	January 30, 1993	October 3, 1992	February 1, 1992
Receivables based financing	$ 467.6	$ 388.3	$ 489.3
Secured long-term debt			
Term loans due in 1999 (3.875 percent at January 30, 1993)	$ 89.7	$ 89.7	$ 89.7
9.0 percent notes due 1993-1995	9.8	10.7	
9.9 percent notes due 1993-2010	9.4	9.4	9.4
10.69 and 10.2 percent notes due 1997-2002	344.0	344.0	344.0
9.0 percent notes due 1997-2002	56.8	53.4	
Other	10.1	10.7	10.1
	519.8	517.9	453.2
Current portion of long-term debt	4.1	4.7	
	$ 515.7	$ 513.2	$ 453.2

On October 8, 1992, a three year $575.0 million facility provided by GE Capital replaced the postpetition receivables securitization facility. The GE Capital facility provides for Blue-Hawk Funding Corporation, a limited purpose corporation not affiliated with the Company, to acquire interests in the Company's credit card receivables and pay for these interests through the issuance of commercial paper.

On December 31, 1991, the Company and Prudential concluded the Prudential Settlement Agreement with respect to the $344.0 million of notes (the "Existing Notes") due 1993 to 1997. The Prudential Settlement Agreement, which became effective on October 8, 1992, extended the maturity of the notes for five years to October 2002. In addition, previously accrued and unpaid interest and certain other charges totalling $53.4 million were capitalized into a 9 percent note (the "Accrued Interest Note"). Principal payments on the Accrued Interest Note will commence in October 1997, continuing in equal monthly installments through October 2002. Although the Existing Notes will

continue to accrue interest at the blended contract rate of 10.67 percent during the first two years following the Emergence Date, the Company will only be required to pay interest at a lower rate of 7.5 percent (the "Pay Rate"). The difference between the Pay Rate and the blended contract rate over the two years of $23.8 million and is being capitalized under the terms of the Accrued Interest Note with principal payments commencing in October 1997 and continuing in equal installments over the remaining life of the notes.

On July 28, 1992, the Company and BofA concluded the BofA Settlement Agreement with respect to the $89.7 million of term loans due in 1995. The BofA Settlement Agreement, which became effective on October 8, 1992, extends the maturity of the term loans for approximately four years to June 1999. In accordance with the BofA Settlement Agreement, interest from October 8, 1992 through June 30, 1995, will be payable at LIBOR plus .625 percent and thereafter at LIBOR plus 1.25 percent. Previously accrued and unpaid interest on the term loans and other negotiated charges totalling $10.7 million have been capitalized in a 9 percent note payable in thirty-six equal monthly installments commencing in November 1992.

The following extraordinary net-of-tax gains and losses on retirement of debt are reflected in the financial statements for the three and one half year period ended January 30, 1993: (i) a $304.4 million gain on debt discharge recognized as of the Emergence Date, on termination of the post-petition working capital and receivables facilities; (ii) a $16.9 million loss, recognized in the second quarter of 1991, on write-off of unamortized debt issue costs as a result of the replacement of an interim receivables facility established at the time of the filing of the chapter 11 petition; (iii) a $14.1 million loss recognized in the Transition Period ended February 2, 1991, which includes net-of-tax charges of $6.2 million for the write-off of unamortized costs and prepayment penalties incurred with respect to the early retirement of debt secured by Thalhimer properties and $7.9 million for the write-off of unamortized costs incurred with respect to the Company's pre-petition working capital and receivables securitization facilities which were terminated as a result of the filing of the chapter 11 petition.

Principal maturities of long-term debt payable over the next five years, exclusive of borrowings under the post-emergence receivables securitization facility, are $4.1 million in 1993, $4.4 million in 1994, $6.7 million in 1995, $5.6 million in 1996, $10.2 million in 1997, and $488.7 million due thereafter.

Long-term debt of $519.8 million is secured by property with a net carrying value of $480.1 million.

The Company's debt agreements include restrictions on capital expenditures and covenants for minimum aggregate net cash flow and earnings before interest, taxes, depreciation and amortization.

Retirement Plans

The Company has two qualified noncontributory pension plans covering substantially all employees. Employees who have completed one year of employment, are at least 21 years of age, and are not covered by a collectively bargained pension plan, are covered by the plans and become vested for benefit purposes after completing five years of employment with the Company. The Company also has unfunded nonqualified pension plans covering certain employees and directors. The Company contributes at least the actuarially determined minimum amount necessary to fund participants' benefits in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

The following table summarizes pension expense and funded status of the plans, as determined by the Company's actuary, together with an analysis of the significant actuarial assumptions used:

(Dollar amount in millions)	Period Ended January 30, 1993 (17 weeks)	Period Ended October 3, 1992 (35 weeks)	Year Ended February 1, 1992 (52 weeks)	Transition Period Ended February 2, 1991 (26 weeks)	Year Ended August 4, 1990 (53 weeks)
Net periodic pension expense					
Service cost	$ 1.3	$ 2.7	$ 3.7	$ 2.2	$ 5.6
Interest cost on projected benefit obligation	4.7	9.5	14.0	7.8	15.3
Actual net return on assets	(4.9)	(3.6)	(14.1)	(.6)	(4.0)
Net amortization (deferral)	2.0		7.9	(3.0)	(4.0)
Net expense	$ 3.1	$ 8.6	$ 11.5	$ 6.4	$ 12.9
Funded status of plans					
Accumulated benefit obligation					
Vested	$ (167.1)	$ (166.1)	$ (161.7)	$ (130.8)	$ (159.4)
Nonvested	(4.0)	(4.9)	(4.5)	(6.8)	(4.7)
	(171.1)	(171.0)	(166.2)	(137.6)	(164.1)
Additional amounts relating to projected compensation increase	(11.1)	(12.1)	(16.8)	(15.4)	(19.8)
Actuarial present value of projected benefit obligation	(182.2)	(183.1)	(183.0)	(153.0)	(183.9)
Market value of plan assets	102.9	97.4	94.4	80.8	98.2
Funded status	(79.3)	(85.7)	(88.6)	(72.2)	(85.7)
Unrecognized net (gain) loss	(4.0)		40.6	21.9	29.9
Unrecognized net obligation at initial date of application of SFAS No. 87			25.8	28.0	33.1
Unrecognized prior service costs			3.3	3.6	3.9
Additional minimum liability recognized under SFAS No. 87			(52.9)	(38.1)	(47.1)
Pension liability	$ (83.3)	$ (85.7)	$ (71.8)	$ (56.8)	$ (65.9)
Significant actuarial assumptions					
Discount rate	8.5%	8.5%	8.5%	9.5%	9.5%
Long-term rate of return on assets	9.5	9.5	9.5	9.5	11.0
Projected rate of compensation increases	5.0	5.0	5.0	5.0	5.0

As of January 30, 1993, the $79.3 million unfunded projected benefit obligation consisted of $46.2 million relating to the qualified plans and $33.1 million relating to the nonqualified plans.

Certain retired employees also receive health care and life insurance benefits which are subsidized to varying degrees by the Company. The post-retirement medical benefits are available only to employees who had retired or were eligible to retire by August 1, 1991 and who had met all other plan eligibility requirements. A life insurance benefit of $1,000 per employee is provided by the Company to all eligible current and retired employees. Additional life insurance benefits are also available for a select group of executives. The executive life benefits were amended effective January 1993, to reduce the amount of coverage post-retirement, based on age. The amendment which applies to both current retirees and eligible plan participants has been reflected as a reduction to the January 30, 1993 accumulated benefit obligation and will be amortized to earnings over a ten year period representing the average period to full eligibility for active participants eligible for this benefit.

The following table summarizes the expense and the accumulated benefit obligation for these plans.

	Period Ended				Year Ended	
	January 30, 1993 (17 weeks)		October 3, 1992 (35 weeks)		February 1, 1992 (52 weeks)	
(In millions)	Medical	Life Insurance	Medical	Life Insurance	Medical	Life Insurance
Net post-retirement benefit expense						
Service cost	$	$	$	$ .2	$	$ .2
Interest cost	.7	.2	1.5	.3	2.3	.4
Net expense	$ .7	$ .2	$ 1.5	$ .5	$ 2.3	$ .6
Accumulated benefit obligation						
Retirees	$(24.7)	$ (3.0)	$(24.8)	$(4.0)	$(25.0)	$ (3.9)
Fully eligible active plan participants	(1.2)	(.6)	(1.2)	(1.2)	(1.2)	(1.2)
Other active plan participants	(.1)	(.4)	(.1)	(.7)		(.7)
Unrecognized prior service cost		(1.9)				
Unrecognized net loss	.1					
Accrued post-retirement benefit liability	$(25.9)	$ (5.9)	$(26.1)	$(5.9)	$(26.2)	$ (5.8)

The post-retirement medical and life insurance benefits are provided under nonqualified plans. The accumulated benefit obligation represents the present value of expected future payments discounted at an eight and one-half percent rate. Medical inflation has been projected at a blended rate of fifteen percent per annum from fiscal 1992, declining ratably over the next ten years to a long term rate of approximately seven and one-half percent per annum. The effect of a one-percentage-point increase in the assumed medical cost trend rate would be to increase the net periodic medical plan expense by $.1 million and to increase the related accumulated benefit obligation by $1.7 million.

In prior years, the cost of retiree health care and life insurance benefits was recognized as expense when paid. Benefit payments were $.9 million during the Transition Period and $2.8 million in 1990.

A 401(k) savings and investment plan is available to substantially all employees who have completed one year of service. No matching contribution was made by the Company to this plan for periods subsequent to the Petition Date. As a result of changes to the plan subsequent to year end, the Company will again make matching contributions in the form of shares of new common stock at a rate of 25 percent of participant contributions effective for periods commencing April 1993.

A prepetition claim of $.9 million for Company contributions accruing to the plan for the period October 1, 1990 through the Petition Date was approved for payment by the POR and has subsequently been contributed to participant accounts in the form of cash. During fiscal 1990, the Company also made $3.7 million of contributions to the plan in the form of stock.

At January 30, 1993, the plan held .7 million shares of Common Stock representing 2.1 percent of common shares issuable under the POR and .7 million shares of preferred stock representing 64.7 percent of preferred shares issuable under the POR.

Employee Stock Incentive Plans

As of the Effective Date, the Company adopted a new long-term incentive compensation plan designed to attract and retain top-quality management for the reorganized Company. The plan, among other things, provides for the issuance of stock options at an exercise price that is generally not less than the market value of the common stock on the date of grant, or a threshold price of $10.22. During the 17 week period ended January 30, 1993, 3.1 million options were issued at a grant price of $10.22. The options, which vest in one-third increments over three years, are exercisable over a ten year period, generally beginning one year from the date of grant. As of January 30, 1993, none of the options issued were exercisable.

In accordance with the POR, all rights and benefits earned under the stock incentive plans in existence prior to the Effective Date were cancelled.

Contingencies

The Company is a defendant in certain legal actions subsequent to the Petition Date. In the opinion of management, the disposition of these actions will not have a material adverse effect upon the Company's financial position or results of operations. All pre-petition actions are subject to settlement in accordance with the POR.

Common Stock

Pursuant to the POR, effective October 8, 1992, all existing shares of Old Common Stock were converted into 2.4 million shares of Common Stock and a combined total of 2.5 million in warrants or shares of convertible preferred stock. Unsecured claims were converted into approximately 27.6 million shares of Common Stock. In addition, in accordance with the POR Zell/Chilmark and an institutional investor each acquired an additional 2.5 million shares of new common stock at a price of $10.00 per share.

In addition, subsequent to the Effective Date, 80,000 shares of Common Stock were issued as bonus compensation to certain professionals engaged in the Chapter 11 proceedings, and a total of approximately 134,000 shares of Common Stock were issued to employees. In December 1992, all eligible employees received ten shares of Common Stock each as a result of this stock issuance.

The accompanying financial statements reflect the issuance of all shares of Common Stock, preferred stock, and warrants contemplated by the POR. As of January 30, 1993, 32.7 million shares of Common Stock, 1.0 million shares of preferred stock, and 1.2 million warrants had been issued and were outstanding in accordance with the POR, inclusive of all additional Post-reorganization Period issuances of Common Stock. At January 30, 1993, the Company's authorized Common Stock consisted of 100 million shares, $.01 par value of which 3.9 million shares were reserved under the employee stock incentive plan, 1.5 million shares were reserved for purchase by and contribution to the Company's 401(k) savings and investment plan and 2.5 million shares were reserved for purchase by warrant holders.

The Company's ability to pay dividends on its Common Stock is restricted pursuant to the terms of the post-reorganization credit facilities and the BofA Settlement Agreement. As a result, the Company does not expect to pay common stock dividends for the foreseeable future.

Preferred Stock and Warrants

Pursuant to the POR, shares of Series A exchangeable preferred stock, par value $.01 ("Preferred Stock") or warrants to purchase shares of Common Stock ("Warrants") were issued to existing holders of Old Common Stock at a rate of .084 for each share of Old Common Stock held. The Company does not intend to have the Preferred Stock listed for trading on any national securities exchange or other national automated quotation system. The Warrants have been registered and listed for trading on the New York and Pacific Stock Exchanges.

At the option of the holders of Preferred Stock, shares of Preferred Stock are exchangeable on a one-for-one basis for Warrants to purchase Common Stock. The Company does not expect to ever pay a dividend with respect to the Preferred Stock. In the event of dissolution, liquidation, or winding-up, the holders of Preferred Stock are entitled to a liquidation preference of $0.25 per share from assets remaining after the full satisfaction of the prior rights of creditors. As of January 30, 1993, the authorized Preferred Stock of the Company consisted of twenty-five million shares, of which 1.1 million shares were issued and outstanding in accordance with the POR.

Each Warrant entitles the holder any time prior to the close of business on October 8, 1999, to purchase a share of Common Stock at a purchase price equal to $17.00 per share, subject to adjustment from time to time. In the event the market price of the common stock equals or exceed $25.50 per share for 30 consecutive trading days, the Board of Directors, after the passage of 30 months from October 8, 1992, may, upon 75 days notice, shorten the exercise period to end on a date earlier than October 8, 1999.

CARTER HAWLEY HALE STORES, INC.

SCHEDULE II -- ACCOUNTS RECEIVABLE FROM RELATED PARTIES

(In thousands)	Balance at Beginning of Period	Additions	Reductions	Balance at End of Period
Seventeen weeks ended January 30, 1993	$ -	$ -	$ -	$ -
Thirty-five weeks ended October 3, 1992				
Participants in the 1987 Stock Incentive Plan (1)	$ 9,072	$ -	$ (9,072)	$ -
Fiscal year ended February 1, 1992				
Participants in the 1987 Stock Incentive Plan (1)	$ 9,187	$ -	$ (115)	$ 9,072
John M. Gailys (2)	$ 104	$ -	$ (104)	$ -
Twenty-six week period ended February 2, 1991				
Participants in the 1987 Stock Incentive Plan (1)	$10,465	$ -	$ (1,278)	$ 9,187
John M. Gailys (2)	$ -	$ 104	$ -	$ 104
Fiscal year ended August 4, 1990				
Participants in the 1987 Stock Incentive Plan (1)	$12,198	$ 173	$ (1,906)	$10,465

(1) The 1987 Stock Incentive Plan provided for the issuance of stock purchase rights to eligible participants. In connection with the exercise of such stock purchase rights, participants were issued shares of Old Common Stock in exchange for non-recourse notes. The notes were reflected as a reduction in shareholders' equity. Pursuant to the POR, the stock rights and non-recourse notes were cancelled on the Emergence Date.

(2) In September 1990, the Company made a loan of $104,000 to Mr. John M. Gailys, Executive Vice President and Chief Financial Officer of the Company. The loan was repaid prior to Mr. Gailys' resignation from the Company in fiscal 1991.

CARTER HAWLEY HALE STORES, INC.
SCHEDULE V -- PROPERTY AND EQUIPMENT

In thousands	Balance at Beginning of Period	Additions at Cost	Retirements	Sales and Other Changes[1]	Balance at End of Period
Seventeen week period ended January 30, 1993:					
Land	$ 121,691	$	$	$	$ 121,691
Buildings and improvements	344,412			4,476	348,888
Leasehold improvements	58,926		(3,712)	4,186	59,400
Fixtures and equipment	88,118		(719)	16,449	103,848
Construction in progress	16,410	21,190		(28,038)	9,562
Leased properties under capital leases, primarily buildings	41,161		(2,679)		38,482
Revalued leases	114,115				114,115
	$ 784,833	$ 21,190	$ (7,110)	$ (2,927)	$ 795,986
Thirty-five week period ended October 3, 1992:					
Land	$ 37,387	$	$	$ 84,304	$ 121,691
Buildings and improvements	378,057		(5,643)	(28,002)	344,412
Leasehold improvements	80,057			(21,131)	58,926
Fixtures and equipment	411,763		(332)	(323,313)	88,118
Construction in progress	28,225	17,052		(28,867)	16,410
Leased properties under capital leases, primarily buildings	87,641			(46,480)	41,161
Revalued leases				114,115	114,115
	$1,023,130	$ 17,052	$ (5,975)	$ (249,374)	$ 784,833
Fiscal year ended February 1, 1992:					
Land	$ 36,246	$	$	$ 1,141	$ 37,387
Buildings and improvements	358,537			19,520	378,057
Leasehold improvements	76,838			3,219	80,057
Fixtures and equipment	393,734			18,029	411,763
Construction in progress	41,760	34,850		(48,385)	28,225
Leased properties under capital leases, primarily buildings	96,191		(3,300)	(5,250)	87,641
	$1,003,306	$ 34,850	$ (3,300)	$ (11,726)	$1,023,130
Twenty-six week period ended February 2, 1991:					
Land	$ 47,350	$	$	$ (11,104)	$ 36,246
Buildings and improvements	389,429			(30,892)	358,537
Leasehold improvements	86,474			(9,636)	76,838
Fixtures and equipment	447,403			(53,669)	393,734
Construction in progress	67,705	37,989	(2,210)	(61,724)	41,760
Leased properties under capital leases, primarily buildings	100,636			(4,445)	96,191
	$1,138,997	$ 37,989	$ (2,210)	$ (171,470)	$1,003,306
Fiscal year ended August 4, 1990:					
Land	$ 46,915	$	$	$ 435	$ 47,350
Buildings and improvements	351,991			37,438	389,429
Leasehold improvements	83,264		(4,279)	7,489	86,474
Fixtures and equipment	440,541		(6,745)	13,607	447,403
Construction in progress	38,031	83,220		(53,546)	67,705
Leased properties under capital leases, primarily buildings	116,022		(887)	(14,499)	100,636
	$1,076,764	$ 83,220	$ (11,911)	$ (9,076)	$1,138,997

(1) Sales and other changes reflect the following items:
- Effective October 3, 1992, the adjustment required to record property and equipment at fair value in accordance with the Reorganization Statement.
- Fixed asset sales completed during the period.
- Write-off of assets in connection with lease rejections completed during the year ended February 1, 1992.
- Reclassification of costs from construction in progress for projects completed during the period.
- Reclassification of costs relating to properties purchased during the period which previously were operated under capital leases.

CARTER HAWLEY HALE STORES, INC.
SCHEDULE VI – ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT

In thousands	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Sales and Other Changes[(1)]	Balance at End of Period
Seventeen week period ended January 30, 1993					
Buildings and improvements	$	$ 2,459	$	$	$ 2,459
Leasehold improvements		559	(45)		514
Fixtures and equipment		3,880	(47)		3,833
Leased properties under capital leases, primarily buildings		756	(32)		724
Revalued leases		327			327
	$ —	$ 7,981	$ (124)	$ —	$ 7,857
Thirty-five week period ended October 3, 1992					
Buildings and improvements	$130,205	$ 5,823	$ (2,586)	$ (133,442)	$ —
Leasehold improvements	20,893	1,644		(22,537)	
Fixtures and equipment	317,940	12,435	(87)	(330,288)	
Leased properties under capital leases, primarily buildings	44,903	1,577		(46,480)	
	$513,941	$ 21,479	$ (2,673)	$ (532,747)	$ —
Fiscal year ended February 1, 1992					
Buildings and improvements	$121,592	$ 8,613	$	$	$130,205
Leasehold improvements	17,744	2,479		670	20,893
Fixtures and equipment	303,698	19,180		(4,938)	317,940
Leased properties under capital leases, primarily buildings	48,582	2,450	(3,300)	(2,829)	44,903
	$491,616	$ 32,722	$ (3,300)	$ (7,097)	$513,941
Twenty-six week period ended February 2, 1991					
Buildings and improvements	$137,787	$ 3,910	$	$ (20,105)	$121,592
Leasehold improvements	21,475	1,210		(4,941)	17,744
Fixtures and equipment	334,253	9,344		(39,899)	303,698
Leased properties under capital leases, primarily buildings	49,158	1,324		(1,900)	48,582
	$542,673	$ 15,788	$ —	$ (66,845)	$491,616
Fiscal year ended August 4, 1990					
Buildings and improvements	$119,357	$ 8,703	$	$ 9,727	$137,787
Leasehold improvements	22,717	2,667	(2,913)	(996)	21,475
Fixtures and equipment	316,210	26,535	(6,052)	(2,440)	334,253
Leased properties under capital leases, primarily buildings	57,504	3,132	(710)	(10,768)	49,158
	$515,788	$ 41,037	$ (9,675)	$ (4,477)	$542,673

(1) Sales and other changes reflect the following items:
- Effective October 3, 1992, the adjustment required to record property and equipment at fair value in accordance with the Reorganization Statement.
- Fixed asset sales completed during the period.
- Write-off of assets in connection with lease rejections completed during the year ended February 1, 1992.
- Reclassification of costs from construction in progress for projects completed during the period.
- Reclassification of costs relating to properties purchased during the period which previously were operated under capital leases.

CARTER HAWLEY HALE STORES, INC.

SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(In thousands)	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Accounts Charged off Less Recoveries	Other	Balance at End of Period
Seventeen week period ended January 30, 1993 Allowance for doubtful accounts	$14,583	$14,133	$11,416	$	$17,300
Thirty-five week period ended October 3, 1992 Allowance for doubtful accounts	$16,605	$22,277	$25,271	$ 972[1]	$14,583
Fiscal year ended February 1, 1992 Allowance for doubtful accounts	$13,355	$41,753	$38,503	$	$16,605
Twenty-six week period ended February 2, 1991 Allowance for doubtful accounts	$11,228	$21,759	$17,719	$ (1,913)[2]	$13,355
Fiscal year ended August 4, 1990 Allowance for doubtful accounts	$10,406	$39,809	$38,987	$	$11,228

(1) Adjusted to fair value in conjunction with the application of Fresh Start Reporting.

(2) Elimination in conjunction with the sale of Thalhimers.

CARTER HAWLEY HALE STORES, INC.
SCHEDULE IX -- SHORT-TERM BORROWINGS

(Dollar amounts in thousands)	Balance at End of Period	Weighted Average Interest Rate at End of Period	Maximum Amount Outstanding During the Period[1]	Average Amount Outstanding During the Period[2]	Weighted Average Interest Rate During the Period[2]
Seventeen week period ended January 30, 1993					
Borrowings[3]	$ 52,315	7.5%	$136,000	$ 75,038	7.5%
Receivables Securitization Facility[4]	467,577	4.3	519,120	442,269	4.6
Thirty-five week period ended October 3, 1992					
Borrowings	80,800[3]	7.6[3]	111,000[5]	58,795[5]	7.7[5]
Receivables Securitization Facility	388,306[4]	4.3[4]	489,254[6]	418,868[6]	7.6[6]
Fiscal year ended February 1, 1992					
Bank borrowings[5]	37,000	8.0	130,000	36,876	8.1
Receivables securitization facility[6]	489,254	7.4	633,798	466,008	8.9
Twenty-six week period ended February 2, 1991					
Bank borrowings[8]		—	93,000	73,695	11.5
Receivables securitization facility[7]	633,798	7.5	723,066	679,791	8.6
Fiscal year ended August 4, 1990					
Bank borrowings[8]	40,000	11.4	93,000	37,111	11.7
Receivables securitization facility[7]	678,646	8.7	787,792	701,457	9.1

(1) The maximum amount outstanding during the period is determined on the basis of the amounts outstanding at any month end.

(2) The average amount outstanding during the period and the weighted average interest rate during the period are computed on the basis of daily balances.

(3) Represents borrowings under the Company's postemergence Working Capital Facility.

(4) Represents borrowings under the company's postemergence receivables securitization facility provided by General Electric Capital Corporation. The three-year, $575.0 million facility provides for Blue Hawk Funding Corporation, a special purpose corporation not affiliated with the Company to acquire interests in the Company's credit card receivables and pay for these interests through the issuance of commercial paper. Borrowings under this Facility are classified as long-term debt for financial statement presentation purposes.

(5) Represents borrowings under the Company's postpetition Working Capital Facility.

(6) Represents borrowings under the Company's postpetition Interim Receivables Facility through July 1991 and the Receivables Securitization Facility thereafter. The Receivables Securitization Facility provided for Camelback Funding Corp., a limited-purpose corporation, wholly owned by the Company, to issue concurrently $200.0 million in privately-placed 8.75% credit card backed notes and up to $363.5 million in commercial paper. Borrowings under these facilities were classified as long-term debt for financial statement presentation purposes.

(7) Represents borrowings under the Company's prepetition credit card receivables securitization facility, classified as long-term debt for financial statement presentation purposes. The facility provided for CHH Commercial Paper, Inc., a special purpose corporation not affiliated with the Company, to acquire interests in the Company's credit card receivables and pay for those interests through the issuance of commercial paper.

(8) Represents borrowings under the Company's prepetition working capital facility.

CARTER HAWLEY HALE STORES, INC.

SCHEDULE X--SUPPLEMENTARY INCOME STATEMENT INFORMATION

(In thousands)	Advertising Costs[1]
1992 (17 Weeks)	$31,631
1992 (35 Weeks)	47,911
1991 (52 Weeks)	72,902
1991 Transition Period (26 Weeks)	46,333
1990 (53 Weeks)	86,257

(1) Advertising costs charged to expense in the fiscal period indicated.

QUARTERLY INFORMATION (unaudited)

(Dollar amounts in millions)	May 2, 1992 (13 weeks)	August 1, 1992 (13 weeks)	October 3, 1992 (9 weeks)	October 3, 1992 (35 weeks)	October 31, 1992 (4 weeks)	January 30, 1993 (13 weeks)	January 30, 1993 (17 weeks)
	Period Ended[1]						
1992							
Sales	$433.6	$481.4	$ 333.0	$1,248.0	$157.3	$732.5	$889.8
Percent change from prior year							
Total sales basis	.8	(2.9)	(2.7)	(1.6)	(5.4)	5.7	3.5
Comparative store sales basis	1.4	(2.2)	(1.9)	(0.9)	(4.8)	5.5	3.5
Finance charge revenue	22.6	20.0	12.8	55.4	6.5	20.8	27.3
Cost of goods sold, including occupancy and buying costs	316.8	354.2	267.8	938.8	118.3	519.9	638.2
Selling, general, and administrative expenses	133.8	134.9	93.9	362.6	43.6	166.5	210.0
Interest expense, net	22.4	22.5	15.3	60.2	7.1	22.5	29.6
Earnings (loss) from operations before reorganization items and taxes	(16.8)	(10.2)	(31.2)	(58.2)	(5.1)	44.4	39.3
Reorganization income (costs)[2]	(3.6)	(4.4)	892.1	884.1			
Income tax benefit (expense)[3]			6.8	6.8		(16.6)	(16.6)
Earnings (loss) from operations	(20.4)	(14.6)	867.7	832.7	(5.1)	27.8	22.7
Extraordinary gain[4]			304.4	304.4			
Change in accounting[5]	18.8			18.8			
Net earnings (loss)	$ (1.6)	$ (14.6)	$1,172.1	$1,155.9	$ (5.1)	$ 27.8	$ 22.7
Earnings (loss) per common share[6]					$ (.15)	$ .79	$ .65

(1) The financial statements prepared as of October 3, 1992, reflect the impact of the Company's reorganization and were prepared utilizing the principles of fresh start reporting in accordance with the Reorganization Statement. The application of fresh-start reporting significantly affected the comparability of certain Pre- and Post-reorganization Period income and expense elements.

(2) Reorganization income (costs) include professional fees and other expenditures directly related to the Filing which were incurred during the 35 week period ended October 3, 1992, and as of the Effective Date, the recognition of a $8.5 million provision for settlement of disputed claims and a $906.4 million adjustment to fair revalue to reflect the valuation of assets and liabilities in accordance with the Reorganization Statement.

(3) The income tax benefit of $6.8 million recognized in the 9 week period ended October 3, 1992 reflects the reversal of existing tax reserves on a favorable resolution of income tax audits for tax years through July 1990. The tax provision of $16.6 million for the Post-reorganization Period reflects state and federal taxes at statutory rates on pre-tax earnings for that period.

(4) The extraordinary gain of $304.4 million reflects the gain on debt discharge recognized at the Emergence Date.

(5) The change in accounting of $18.8 million reflects the adoption, as of the Effective Date, of Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes.". The results for the first quarter were restated to reflect the cumulative effective of the change.

(6) Per share data for periods prior to October 3, 1992 have been omitted as these amounts do not reflect the current capital structure.

QUARTERLY INFORMATION (unaudited)

(Dollar amounts in millions)	May 4, 1991 (13 weeks)	August 3, 1991 (13 weeks)	November 2, 1991 (13 weeks)	February 1, 1992 (13 weeks)	February 1, 1992 (52 weeks)
	Period Ended				
1991					
Sales	$430.1	$495.9	$ 508.7	$ 693.2	$2,127.9
Percent change from prior year[1]					
Total sales basis	(13.5)%	(7.0)%	(10.2)%	(7.8)%	(9.4)%
Comparative store sales basis	(15.5)	(8.5)	(9.4)	(7.6)	(9.9)
Finance charge revenue	24.9	23.3	22.7	23.1	94.0
Cost of goods sold, including occupancy and buying costs	321.9	371.0	375.7	512.5	1,581.1
Selling, general, and administrative expenses	129.4	132.9	140.6	167.6	570.5
Interest expense, net	28.1	26.4	23.2	24.6	102.3
Earnings (loss) from operations before reorganization costs	(24.4)	(11.1)	(8.1)	11.6	(32.0)
Reorganization costs[2]	(8.0)	(7.3)	(8.9)	(113.9)	(138.1)
Loss from operations[3]	(32.4)	(18.4)	(17.0)	(102.3)	(170.1)
Extraordinary costs		(16.9)			(16.9)
Change in accounting[4]	(30.0)				(30.0)
Net loss[5]	$ (62.4)	$ (35.3)	$ (17.0)	$(102.3)	$ (217.0)

(1) Sales decrease on a comparative 12 month basis excluding 1990 sales of Thalhimers which was sold.

(2) Reorganization costs for the fourth quarter include a $65.0 million provision for the consolidation of the Company into a single operating entity and a $34.0 million charge for settlement of certain disputed claims and valuation adjustments to reflect the effect of the Reorganization Case on the amounts realized for certain assets.

(3) The Company recorded no income tax benefit from operations in 1991 as a result of limitations on its ability to utilize net operating loss carryforwards.

(4) During the fourth quarter, the Company adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Post-retirement Benefits Other than Pensions." The results for the first quarter were restated to reflect the cumulative effect of the change.

(5) Per share data has been omitted as these amounts do not reflect the current capital structure.

CARTER HAWLEY HALE STORES, INC.

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company; incorporated by reference to Exhibit 4.2 to the Form S-8 filed February 17, 1993.
3.2*	Bylaws of the Company.
4.1*	Form of Warrant Agreement
4.2	Form of Certificate of Designation, Preferences and Rights of Series A Exchangeable Preferred Stock of the Company; incorporated by reference to Exhibit 4.3 to the Form S-8 dated February 17, 1993.
4.3	Loan Agreement dated as of August 27, 1987, among The Prudential Insurance Company of America, Carter Hawley Hale Stores, Inc. and Thalhimer Brothers, Inc. with respect to $350,000,000; incorporated by reference to Exhibit 4.5 to the Form 10-K for the twenty-six weeks ended August 1, 1987.
4.4	Amendment to Loan Agreement and Notes dated as of June 30, 1988 among Carter Hawley Hale Stores, Inc., Thalhimer Brothers, Inc., and The Prudential Insurance Company of America; incorporated by reference to Exhibit 4.4 to the Form 10-K for the year ended February 1, 1992.
4.5	Amendment to Loan Agreement, Notes and License Agreement dated as of August 3, 1990 among Carter Hawley Hale Stores, Inc., Thalhimer Brothers, Inc., and The Prudential Insurance Company of America; incorporated by reference to Exhibit 4.5 to the Form 10-K for the year ended February 1, 1992.
4.6	Agreement and Release dated as of December 14, 1990 among Carter Hawley Hale Stores, Inc., Thalhimer Brothers, Inc., and the Prudential Insurance Company of America; incorporated by reference to Exhibit 4.6 to the Form 10-K for the year ended February 1, 1992.
4.7*	Settlement Agreement dated as of December 31, 1991, among Carter Hawley Hale Stores, Inc., The Prudential Insurance Company of America, Zell/Chilmark Fund, L.P., and Z/C Subsidiary Corporation.
4.8	Term Loan Agreement dated as of June 28, 1988, among Carter Hawley Hale Stores, Inc., Thalhimer Brothers, Inc., the Banks Party thereto, and Bank of America, as agent, with respect to $135,000,000; incorporated by reference to Exhibit 4.8 to the Form 10-K for the year ended July 30, 1988.
4.9	Modification Agreement dated as of November 28, 1988 among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.; incorporated by reference to Exhibit 4.8 to the Form 10-K for the year ended February 1, 1992.
4.10	First Amendment to Term Loan Agreement dated as of December 30, 1988 among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.; incorporated by reference to Exhibit 4.9 to the Form 10-K for the year ended February 1, 1992.

Exhibit No.	Description
4.11	Second Amendment to Term Loan Agreement and Waiver dated as of May 31, 1989 among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.; incorporated by reference to Exhibit 4.10 to the Form 10-K for the year ended February 1, 1992.
4.12	Third Amendment to Term Loan Agreement dated as of July 26, 1989, among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.; incorporated by reference to Exhibit 4.11 to the Form 10-K for the year ended February 1, 1992.
4.13	Fourth Amendment to Term Loan Agreement dated as of September 22, 1989 among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.; incorporated by reference to Exhibit 4.12 to the Form 10-K for the year ended February 1, 1992.
4.14	Agreement and Release dated as of December 12, 1990 by and among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.; incorporated by reference to Exhibit 4.13 to the Form 10-K for the year ended February 1, 1992.
4.15*	Settlement Agreement dated as of July 28, 1991 between Carter Hawley Hale Stores, Inc. and Bank of America National Trust and Savings Association.
4.16*	Stockholder's Agreement between Carter Hawley Hale Stores, Inc. and First Plaza Group Trust, by its Trustee Mellon Bank, N.A., dated as of January 25, 1993.
	The Company has outstanding certain other long-term indebtedness. Such long-term indebtedness does not exceed 10% of the total assets of the Company and its subsidiaries; therefore, copies of instruments defining the rights of holders of such indebtedness are not included as exhibits. The Company agrees to furnish copies of such instruments to the Securities and Exchange Commission upon request.
10.1*	Receivables-Backed Credit Agreement among CHH Receivables, Inc., Blue Hawk Funding Corporation and General Electric Capital Corporation, as Agent.
10.2*	Assignment and Security Agreement among CHH Receivables, Inc., Blue Hawk Funding Corporation, Cash Collateral Bank and General Electric Corporation, as Agent, Letter of Credit Agent, Liquidity Agent and Collateral Agent.
10.3*	Receivables Purchase Agreement among Carter Hawley Hale Stores, Inc. and CHH Receivables, Inc.
10.4*	Promissory Note made by CHH Receivables, Inc. in favor of Blue Hawk Funding Corporation.
10.5*	Letter of Credit Reimbursement Agreement among CHH Receivables, Inc., Blue Hawk Funding Corporation, and General Electric Capital Corporation, as Letter of Credit Agent.

Exhibit No.	Description
10.6*	Subordinated Retailer Security Agreement made by Carter Hawley Hale Stores, Inc. in favor of CHH Receivables, Inc.
10.7*	Postpetition Store Modernization Facility Conversion Agreement dated as of August 18, 1992 between Carter Hawley Hale Stores, Inc. and Zell/Chilmark Fund, L.P.
10.8*	Agreement by and among Carter Hawley Hale Stores, Inc., the Neiman Marcus Group, Inc. and General Cinema Corporation, dated July 7, 1992.
10.9*	Credit Agreement, dated as of October 8, 1992, among Carter Hawley Hale Stores, Inc., Certain Commercial Lending Institutions, and General Electric Capital Corporation, as the Agent for the Lenders.
10.10*	Form of Revolving Credit Note.
10.11*	Pledge and Security Agreement made by Carter Hawley Hale Stores, Inc. in favor of General Electric Capital Corporation.
10.12*	Trademark Security Agreement made by Carter Hawley Hale Stores, Inc. in favor of General Electric Capital Corporation.
	Compensation Arrangements
10.13	Deferred Compensation Plan of Carter Hawley Hale Stores, Inc. dated as of June 3, 1976 and amended as of February 4, 1977; incorporated by reference to Exhibit 15 to the Form 10-K for the fiscal year ended January 29, 1977.
10.14	Amendment to the Deferred Compensation Plan of Carter Hawley Hale Stores, Inc. executed on February 6, 1980; incorporated by reference to Exhibit 20 to the Form 10-K for the fiscal year ended February 2, 1980.
10.15	Amendment to the Deferred Compensation Plan of Carter Hawley Hale Stores, Inc. executed on April 7, 1983; incorporated by reference to Exhibit 10.13 to the Form 10-K for fiscal year ended January 29, 1983.
10.16	Amendment 1990-I to the Deferred Compensation Plan of Carter Hawley Hale Stores, Inc. effective as of August 1, 1990, incorporated by reference to Exhibit 4.6 to Post-Effective Amendment No. 7 to the Registration Statement (No. 2-6810) of Carter Hawley Hale Stores, Inc. filed November 7, 1990.
10.17	Amendment to the Deferred Compensation Plan of Carter Hawley Hale Stores, Inc.; incorporated by reference to Exhibit 4.5 to Post-Effective Amendment No. 5 to the Registration Statement (No. 2-68102) of Carter Hawley Hale Stores, Inc. filed July 31, 1987.
10.18	Carter Hawley Hale Savings & Investment Plan, as amended and restated as of March 1, 1993; incorporated by reference to Exhibit 4.1 to the Registration Statement (No. 33-58478) of Carter Hawley Hale Stores, Inc. filed February 17, 1993.
10.19*	Carter Hawley Hale Stores, Inc. 1992 Stock Incentive Plan, as amended.

Exhibit No.	Description
10.20	Carter Hawley Hale Stores, Inc. Executive Retention Incentive Plan effective as of February 1, 1991; incorporated by reference to Exhibit 10.15 of the Form 10-K for the year ended February 1, 1992.
10.21	Carter Hawley Hale Stores, Inc. Special Severance Pay Plan effective as of February 1, 1991; incorporated by reference to Exhibit 10.16 of the Form 10-K for the year ended February 1, 1992.
10.22	Carter Hawley Hale Stores, Inc. Retirement Plan for Non-employee Directors dated as of February 1, 1989; incorporated by reference to Exhibit 10.17 of the Form 10-K for the year ended February 1, 1992.
10.23	Carter Hawley Hale Stores, Inc. Directors Deferred Compensation Plan effective as of February 1, 1986; incorporated by reference to Exhibit 10.18 of the Form 10-K for the year ended February 1, 1992.
10.24	Carter Hawley Hale Stores, Inc. Management Deferred Compensation Plan; incorporated by reference to Exhibit 10.19 to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.
10.25	Carter Hawley Hale Stores, Inc. Deferred Compensation Plan for Executives; incorporated by reference to Exhibit 10.20 to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.
10.26	Carter Hawley Hale Stores, Inc. Supplemental Executive Retirement Plan; incorporated by reference to Exhibit 10.14 to the Form 10-K for the fiscal year ended January 28, 1984.
10.27*	Form of employment agreement between Carter Hawley Hale Stores, Inc. and certain officers.
10.28*	Listing of officers covered as of January 30, 1993 by form of employment agreement referenced at Exhibit 10.27.
10.29*	Description of Compensation Agreement between the Company and Mr. Dworkin.
10.30*	Assumption and amendment to employment agreement between Carter Hawley Hale Stores, Inc. and Philip M. Hawley, dated August 14, 1992.
10.31*	Agreement between Carter Hawley Hale Stores, Inc. and Philip M. Hawley, dated October 12, 1992.
10.32*	Agreement between Carter Hawley Hale Stores, Inc. and Philip M. Hawley, dated December 30, 1992.
10.33	Form of indemnification agreement between Carter Hawley Hale Stores, Inc. and each of its directors; incorporated by reference to Annex XV to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.
10.34	Form of indemnification agreement between Carter Hawley Hale Stores, Inc. and certain of its officers; incorporated by reference to Exhibit 10.31 to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.

Exhibit No.	Description
10.35	Employee Benefits Agreement dated as of July 24, 1987 between Carter Hawley Hale Stores, Inc. and The Neiman Marcus Group, Inc., incorporated by reference to Exhibit 3 to the Form 8-K dated August 20, 1987.
11.	Computation of Earnings per Share included on page 70.
18.*	Preferability Letter from Price Waterhouse.
22.	Carter Hawley Hale Stores, Inc. Subsidiaries included on page 71.
24.	Consent of Price Waterhouse included on page 32.
25.*	Powers of Attorney.

* Exhibit filed with this Form 10-K.

Copies of any of the foregoing exhibits may be obtained by making a written request to the Secretary of the Company at the address shown on the cover. Copies will be furnished at a price of $.20 per page with a minimum charge of $10 per exhibit.

CARTER HAWLEY HALE STORES, INC. **EXHIBIT 22**

Subsidiaries as of January 30, 1993

	Percentage of Ownership	State of Incorporation
Active:		
CHH Receivables, Inc.	100%	Delaware
Inactive:		
Carter Hawley Hale Credit Corp.	100%	Nevada
Camelback Funding Corp.	100%	Delaware
Carter Hawley Hale Properties, Inc.	100%	California
Private Business Air Service, Inc.	100%	California

CARTER HAWLEY HALE STORES, INC.

Corporate Officers

Samuel Zell	Chairman of the Board
David L. Dworkin	President and Chief Executive Officer
Edwin J. Holman	Vice Chairman and Chief Operating Officer
Marc E. Bercoon	General Counsel and Corporate Secretary
John F. Busey	Vice President and Treasurer
Richard G. Campbell	Senior Vice President, Credit Services
Paul E. Chevalier	Senior Vice President, Employee Relations
Robert A. Dourian	Executive Vice President, Human Relations
William E. Dombrowski	Vice President, Public Affairs
Brian L. Fleming	Senior Vice President, Accounting and Taxes
Elayne Garofolo	Executive Vice President, Marketing and Sales Promotion
Robert J. Gilmartin	Senior Vice President, Real Estate
Gerald Mathews	Executive Vice President, Stores
Robert M. Menar	Senior Vice President, Information Services
Larry G. Petersen	Executive Vice President, Finance and Chief Financial Officer
William J. Podany	Executive Vice President, Merchandising, Home, Men's and Cosmetics
Walter J. Tuthill	Vice President, Internal Audit

Shareholder Information

Executive Offices	3880 North Mission Road Los Angeles, California 90031 Telephone: (213) 227-2000
Common Stock	Symbol: CHH, New York Stock Exchange and Pacific Stock Exchange
Warrants	Symbol: CHHW, New York Stock Exchange and Pacific Stock Exchange
Transfer Agent	Chemical Trust Company of California Security Holder Relations Church Street Station P. O. Box 24935 New York, New York 10249-0018
Annual Meeting	June 3, 1993 at 10:30 a.m. Ritz Carlton Huntington Hotel 1401 South Oak Knoll Avenue Pasadena, California 91106

Carter Hawley Hale Stores, Inc.
3880 North Mission Road
Los Angeles, California
90031

7

FILMED

SEP 1993

MIRAC